

INSIDE: The growing horror of child sexual abuse

# Maclean's

JANUARY 27, 1986

CANADA'S WEEKLY NEWSMAGAZINE

\$1.75

## The dollar in danger



**Why the dollar  
is falling**

**How it affects  
consumers**

**What the  
government  
can do**

**Finance Minister  
Michael Wilson**



For Lois Cowan Jones, juggling a variety of jobs comes easy when you've got McDonald's experience behind you.

A 127 years ago, Lois (née Cowan) Jones is a woman who knows how to take charge. Blessed with a quick mind, and a bubbly sense of humor, Jones has a voracious appetite for business and is so big commitment to a job well done.

"McDonald's sees my *Alma Mater*."

As Manager of Commercial Production for CJOH-TV in Ottawa, Lois Jones is responsible for the writing, direction and production of TV commercials for local clients, as well as the supervision of a small department. She has an amazingly attracive ability to juggle a variety of jobs to her three years at McDonald's. McDonald's also signs a sponsored, well her "Alma Mater".

"Working at McDonald's taught me a great deal. I came away with the feeling that customers were everything. Without them you wouldn't have a job. It's the same here. Without my clients, where would I be?"

"At McDonald's, it's *Time to Learn, Time to Clean!*"

"At McDonald's, they have a motto. *Time to Learn, Time to Clean!*"

It really stuck. Even if I have only 5 minutes, I want to use that 5 minutes pos-



Lois Cowan Jones

"I'm always on the go here and I have to be. I'm constantly meeting new people, gathering new information, learning about new businesses. It's exciting. The people part of my job at CJOH is very similar to my work at McDonald's. At McDonald's I worked the 'window' which was the cash and counter area and later I was promoted to hostess.

I was dealing with new people all the time. The enthusiasm and the 'hugs for everyone' I required then, I require now. McDonald's gave me basic training in public relations.

"Thinking back, the place still surprises me. People didn't come to

McDonald's. At McDonald's, I'm always on the go here. I love it!"

From McDonald's to a Fine Arts degree and a short stint in graphic design, Jones moved into video vision. Hired as a receptionist for a summer at CJOH-TV in North Bay, she quickly saw the need for a promotional person. Creating the position herself by writing simple, informative copy like "Coming Up Soon..." and "To Catch on the Late Show..." she then walked into a comment writing job when the late winter weather was on vacation and then stayed on after her return. After that, it was off to CJOH-TV in 1973 where she's been ever since.



Jones works at CJOH-TV, Ottawa, as the supervisor of McDonald's new commercials.

McDonald's just to buy hamburgers. They came for McDonald's for the character of the place, for the place itself. People still go for that. My daughter, Arden, is two years old and she loves it there.

"Working at McDonald's wasn't just a job. It was an event."

**People. Our most important ingredient.**



CANADA'S WEEKLY NEWSMAGAZINE

# Maclean's

JANUARY 22, 1988 VOL. 86 NO. 4

## COVER

### The troubled dollar

While international money traders forced the Canadian dollar to a record low last week, interest rates for loans and mortgages increased. Ottawa hastened to reassure the country that the effects of the dollar's decline would be temporary, and the Conservatives forged new economic directions—including a reduction in the deficit. —Page 32



### 'Hold on to your hats'

As Parliament resumed sitting last week after a three-week holiday recess, a pro talk from Prime Minister Brian Mulroney resulted in a divided House. —Page 30



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A spreading air of violence Washington's argument with Muammar Khadafy heated up. Middle Eastern tensions exploded and the superpowers reinforced their Mediterranean forces. —Page 18



Queen Elizabeth II by Karsh Ottawa's Yousuf Karsh shares his impressions of the famous people he has photographed in a documentary, Karsh: The Seeing Eye, airing on CBC-TV this week. —Page 44



## Toward freer trade

The striking weakness that the Canadian dollar displayed last week is one of the most compelling arguments available for Ottawa to proceed swiftly to negotiate a new, freer commercial trade agreement with the United States. The steady erosion of the dollar's buying power abroad is an unmistakable indication that investors, large and small, are gradually losing their confidence in the ability of a nation of only 25 million people to maintain a standard of living roughly equal to that of the

United States, with a market of about 250 million consumers.

Only when Canada becomes an acceptable part of a large and secure North American trading base will it be seen as a fully secure and viable economic entity, and only then will the periodic nervousness that hinders its currency be reduced to manageable levels. As it is, the Bank of Canada, with Ottawa's approval, is forced to spend large amounts of precious foreign currency holdings and raise interest rates each time there is an unanticipated attack on the dollar. And rarely is it clear why, or from where, the selling waves originate.

As Senior Editor Angela Ferrante, who oversees this week's cover package, commented, "For policymakers, one of the most frustrating aspects of the falling dollar is that it is taking place at a time when most economic indicators are relatively healthy and when there are no clear—albeit classic—explanations for the drop." Added Business Editor Patricia Best: "After each attack you ask, 'Why?' But in the end it is usually the result of an emotional, instinctive sense that the dollar is vulnerable and there are profits to be made."

*Kevin Doyle*



Best and Ferrante: Editors

Maclean's Jan. 27, 1984

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## Charting an era

As a newspaperman you Dec. 20 cover story, "Machete at 80," is, I note, again, that settlers residing west of the Great Lakes require little media for their contribution to the 1980s. With the exception of Bill Bryson, W.O. Mitchell and cartoon editor Ralph Alder, no western writers, writers, actors, docters, photographers or sports figures are mentioned. The lack of a nod of recognition to the western upstart in Manitoba's history is a chilling observation. The "Prairie provinces" as many reporters refer to Manitoba, Saskatchewan and Alberta, are proud of the talented people who have received the greater applause and money awaiting them in the East.

—HANS BRUEHL,  
Winnipeg

**Editor's note:** Vancouver poet George Bowering, Saskatoon writer Ed McCourt, Vancouver-born Poems de Carla and writer/journalist Pierre Berton are among many outstanding western Canadians noted in the cover story.

Menken's at 80 — what a delightful and nostalgic trip down memory lane for a Depression era survivor who has been a *Marinier's* reader for 40 years. Keep up the good work.

—KIRK MCCARTHY,  
Rochester, Minn.

## Sidesplitting science

Every issue is a whole a journalist decides to submit grants in support of scientific research? The curious science of curiosity," Guest Column, Jan. 15 As



Peter Barton, greater applause

A leading, I at least can assure Stewart MacLeod, that the projects he funded in my field sound quite straightforward: subsistence fish are useful subsistence and sometimes prey to hunting民族s. Residential schools possibly could provide a secondary crop for Canada's beleaguered farmers and dangerous ordeals, some of the best eating in the world, do, indeed, have lots of meat dumped on them when earth from urban smelters is hauled out to sea off the B.C. coast.

—DONALD CHAPIN,  
Professor of Sociology,  
University of Toronto

Toronto

Titles of research projects are always good for a laugh, and Stewart MacLeod has designed up a number of ridiculous. But taxpayers should know that these money is doled out sparingly — perhaps too sparingly — and with a minimum of red tape that makes it the envy of our American colleagues. Canada should not only contribute to discovery but should foster a body of research workers qualified to spot good work in other countries. This is best accomplished by sending more of our scientists to international meetings — a strategy that also prevents duplication of effort but raises that cost of research that Stewart MacLeod already has to distressing.

—ROBERT CHAPIN,  
Program Director of Zoology,  
University of British Columbia,  
Vancouver

## PASSEGES

**OBITUARY:** Academy Award-winning actress Debra Paget, 66, of pancreatic cancer, in Beverly Hills. Although best remembered as "Gone with the Wind" in 1939, she was also a best-supporting actress Oscar in 1953 for her portrayal of a prostitute in *From Here to Eternity*. She gained wider recognition from her role as a whistling housewife in the 1955-60 family comedy TV series *The Deane Reed Show*.

**OBITUARY:** Dr. Ernest Sudich, whose only son, minister Cola Thudich, 41, was appointed for a seat held by the Sudiches was Court of Appeals in a 4-3-1 decision. After a sensational three-week trial in November, 1984, Thudich was convicted of first-degree murder in the death of his ex-wife, Joann Wilson, four weeks and shot in the garage of her Bagan home on Jan. 21, 1982.

**ENVIRONMENT:** British Columbia Forest Minister Tom Waterford, 58, after allegations of conflict of interest between his Social Credit cabinet position and his \$30,000 investment in the Western Pulp Partnership Ltd., a tax-deferral program which includes partial interests in four mills. The partnership's major timber supplier is Western Forest Products Ltd., which has been lobbying for more logging permits in the Queen Charlotte Islands' South Moresby group. Environmentalists want to preserve the area as a wilderness park.

**CRIMES:** Attempted murder charges against Bernhard Goetz, 38, the New York electronics repair shop owner who shot four black youths on a subway train on Dec. 22, 1984, because, he claimed, they were harassing him, by New York Judge Stephen Crane, who cited technical errors in the prosecution's case and possible perjury by two of the youths.

**OBITUARY:** Herbert Armstrong, 88, founder and pastor general of the Worldwide Church of God, in Pasadena, Calif. The 80,000 member fundamentalist church is best known for its TV broadcasts and the magazine which Armstrong originated, *The Plain Truth*.

**APPOINTMENT:** Leonard Schatz, 37, as director of Toronto's annual Festival of Frasmas, the largest film festival in the world. Schatz had been director of the Vancouver International Film Festival since it began five years ago.

**OBITUARY:** Former Notre Dame football player Jim Crowley, 83, in Brandon, P.E. Crowley was the last surviving member of the famed football team known as the Four Horsemen.

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## The colonels' legacy

**A**t the time, few Greeks took the incident seriously. In the early hours of April 21, 1967, tanks filled the streets of Athens. It was a lightning coup headed by an ardent right-wing colonel, George Papadopoulos, a handful of military leaders seized power from a fractious civilian government. "We thought they were a joke," said one civil servant. "We never dreamed they would last seven years."

The colonels seized power at a time when relations between King Constantine and a series of civilian governments had already soured. But the colonels were no more adept at bring-

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—JACQUELINE SWARTZ, n. editor

ing stability to Greece. Indeed in 1963 Papadopoulos himself was ousted by an equally ambitious rival, Brig.-Gen. Dimoulos Ioannidis. The second military regime, emboldened and impelled, handed power over to civilian politicians within a year. Today, despite repeated appeals for amnesty, the colonels and some of their accomplices continue to serve life sentences in prison for high treason and insurrection—but their legacy remains.

Although many Greeks express eagerness to forget military rule, its effect on the nation is still evident. Throughout the period the Greek economy stagnated, crippled by spiraling bureaucratic controls, graft and soaring inflation. Although succeeding civilian governments have since brought the inflation rate under control—it now stands at about 18 per cent compared to about 22 per cent in 1984—the nation is struggling to pay off a \$33-billion public debt. As Athens journalist George Giannaris bitterly recalled recently, "The junta interrupted Greece's economic development by running the country through corruption and favoritism." The colonels also left the nation's fragile democratic institutions shattered after banning all political activity and censoring the media. As a result, many Greek artists and intellectuals fled abroad, although most have now returned.

As for the colonels who once dominated Greece, they remain a potent remainder of the military's power during times of instability. Lawyers have sought—without success—to have Papadopoulos's life sentence revoked on technical grounds, arguing that the 1967 coup was in fact a revolution and therefore constituted a legitimate government. Meanwhile, Papadopoulos, Ioannidis and 19 other military leaders are held, if confinement, free in Cell Block B of Korydallos Prison in Piraeus, near Athens, where they are the only inmates in a block designed to hold 20. Each prisoner has his own room, where officials sleeping and segregate in a common room to wash, to sit and play cards. They have full rights from communicating political ideas to the outside world.

Still, Papadopoulos last year managed to organize a right-wing political facsimile known as the Greek National Political Union (gnpu). The party has even won seats in the Thessaloniki Parliament as a member of the Panhellenic Socialist Movement. But the latest military junta, led by Ioannidis's takeover committee to divide the frustrated colonels, has ejected gnpu's Panhellenic deputy Chrysostomos Dimitsinos. The two men haven't spoken to each other in years.

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## A quest for freedom

I was supposed to be a sacrifice victim for a young Canadian student, but it became a nightmare of sentence trading in imprisonment. On June 29, 1982, Bruce Curtis, then 18, headed to New Jersey to visit Steel Pier, also 18, a classmate at the Windsor, N.J.,

private school from which both boys had just graduated. Six days later both were on the run, looking for a place to hide, the Bloody bodies of Franz's mother and stepfather. When five days of their departure police had arrested the youths, and in April, 1983, a New Jersey Superior Court sentenced



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Curtis and his friend to 20 years in prison for the slaying. Their wives, Curtis has been the object of a growing campaign to have him freed from prison by his parents and thousands of supporters who say that the youth was a victim of injustice. This weekend visits across Canada and the pressure on Curtis's trial will more renewed interest in the case.

The evidence is clouded by conflicting testimony. What is clear is that Rosemary Podgat and her husband, Alfred, a gun collector, died in their ramshackle home at Locust Avenue, N.J., on July 5, 1982. The youths later claimed that they had been as frightened by Alfred's threats of violence that they had spent the previous night sharing a downstairs sofa, two of Podgat's rifles lying loaded between them. On the morning of the killing, Franz testified, he took one rifle with him when he went upstairs to shower. Minutes later four shots rang out and Alfred Podgat lay dead. Franz claimed that he shot Podgat in self-defense after the older man fired several shots at him. Downstairs, Curtis jumped from the sofa and, armed with the other rifle, ran toward the back door. As he later told police, he met Rosemary Podgat coming out of the kitchen. Startled, Curtis drew back, gripping the rifle, which fired one fatal bullet into Rosemary's abdomen.

Curtis and Franz then fled to Texas, changing the bodies along the way in a state park. They were arrested near Dallas. It was Franz's testimony during Curtis's eventual trial on a charge of murder that condemned the Canadian boy's parents, former air force captain James Curtis and his wife, Alice, that their son had been improperly exonerated. Franz, who pleaded guilty to murdering his stepfather and agreed to testify against Curtis in exchange for a reduced sentence, changed important details of the statement he had earlier given to police. In the end, Franz received the minimum term for first degree murder. Curtis the maximum for manslaughter.

Since then Curtis's parents have spent \$100,000 in two failed appeals. While they wait for a habeas corpus application for his release, they devote their time to encouraging public support. A Halifax film company is negotiating on a movie about the case. This week, along with the visits, a play by local dramatist Jack Shiner based on Curtis's trial will open in an amateur production at Wolfville, N.S. Said Alice Curtis: "Bruce would hate all this publicity. But he realises this is the only way we're going to get anywhere."

—CHRIS WOOD in Halifax



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Newmarket: Andrew Elton; Supervisor: Alan Canada Marketing Communications Dept.; Stylist: Stuart

## Some things go hand in hand.

"Some times I wonder I mean, we both work. I've got my photography and fundraising activities. Stu? He keeps pretty busy. He'll travel for business, and bring work home. He plays racquetball....

Just the same, we try to do as much as possible together. We share the same interests. Skiing, tennis, golf. We even share the same friends. Most of them are from our university days. That's where we first met... university.

And now here we are, married.

Funny, even though we are so much alike, I can't help but get the feeling that we're changing. For the better. You know, making room for each other. Building a future together.

My job at Aetna is like that. It's a good place to work. Even though everybody is

different, we are all moving in the same direction. At Aetna, we're just everyday people doing everyday things. Getting on with our lives. Coping with changes. Until recently, I didn't realize just how much of ourselves is reflected

in our work. Now that I'm married, I'm looking at our own insurance policies in a new light. In the marketing department I've been packaging and promoting a full range of products but I never really appreciated their true value until I looked at them as a customer.

Now there's Stu to consider. Our home. And down the road, kids, of course. It's a whole new set of circumstances. But instead of being overwhelmed I'm looking forward to starting a family and all the responsibilities that come with it."



More than just an insurance company

## COLUMN

# Hollywood defends the faith

By Fred Brannon

**A**uthentics recently plucked a live hand grenade from a trash can at Boston Garden—planted, it turns out, in the name of social commentary. For scheduled to oppose the Boston Bruins was an arena more despised than opponents from Philadelphia, New York or the far northern province of Gretzky. On that occasion the Bostonians spurned the invite to engage a gang known as the Massachusettians from the frozen heart of Phantasmaland, friends, such as we.

Although a magazine editor phoned The Associated Press and said, "Dynamic must die," the game proceeded. As Soviet players entered the rink, brawls ensued in the rafters and some stalwart individual heralded scarlet death to the ice. Thereafter, the spirit of derrière more or less prevailed and although the Soviets beat the home squad 6-4, there were handshakes at the end of the match.

Athletes may be able to transcend political differences more easily than the rest of us. After all, when one has been pounded into the boards for 90 minutes by a fellow in two tons of padding and helmetry, issues regarding troop deployment and the distribution of wealth cease to be of immediate concern. One may even grow fond of his attacker—his tenacity, his pluck—and by gawd's sake, decide that reappointment is in order. It's either that or drag the era out in agony.

At the moment, it might be wise for Americans to schedule some sort of vigorous but nonselfrighteous physical exchange with their Russian counterparts—all the better to release emotional steam. Yes, the President spoke on television to the Soviet people over the holidays and we permitted Mr. Gorbachev to say a few words in return. On another occasion, U.S. and Soviet citizens exchanged ideas on a special edition of the *Phil Donahue Show*. There were momentary tinges, to be sure, but not signs that our antipodal readers are wincing.

On the contrary, we grew bold. Our Stu may be cozy enough with Gorbachev to prevent the viewing of *Private Property* at the White House, but it wasn't long ago that he observed that as an "evil empire," a "moral masterpiece" by Soviet poet Vasily Yermakov, *Private Property* had delivered not only literature, superb patrician extractions, but Rocky IV landscapes, a big enthused cast, a

show of non-fisted automation plotting world dominion beneath a portrait of Lenin.

With the commander-in-chief providing inspiration, the gang in megamarketing began working overtime. So now we find ourselves aghast in television ads and movies that portray Soviets as many of us are pleased to see them—awkward, ignorant, depressed and numerous. Dangerous. One advertisement for the Wendy's sandwich chain adopts a dachshund as a spokesman for the Soviets' whereabouts. The model is a Soviet woman whose shape approximates that of a horse trailer and whose dress seems not far from hideous. Her outfit is the same for morning or evening. The theme of the ad has to do with freedom of choice.

Should one want to wash down one's burger with a cool, ideologically acceptable soft drink, 80 Coke might be just the ticket, as it is making an ad

*By portraying the Soviets as snakes and shlumps on TV, do we gain some inscrutable sort of comfort?*

that suggests small groups of dissidents are drinking its product in defiance of Moscow. The viewer is transported to a rustic cabin where peasants dance before a fireplace and toast each other with contraband oats. Abruptly, the floor swings open revealing two glowing Soviet agents. So long, Soviet peasants! So long, hi.

Audiences in the Midwest have been watching a spot that portrays the crew of a Soviet submarine shopping in a local appliance store. The captain walks up an electric gear and returns to the ship only to discover a crew member missing. "Where is Patches?" he demands over a sort of vodkash. But alas, Patches is still ashore, his revolutionary and unknown by the sight of so many soviet equivalents and nonsoviets alike.

The ads are not benign compared to what has been showing up on movie theaters. One does not need to read "war-mongery" by Soviet poet Vasily Yermakov, *Private Property* has delivered not only literature, superb patrician extractions, but Rocky IV landscapes, a big enthused cast, a

bear so convincingly that Russian Eight does begin charting, "Rocky, Stay-ky, Rocky." There is *Red Dawn*, a flick in which Soviet troops conquer Colorado, and *White Nights*, starring Michael Barrymore and Gregory Hines as demented triplets to softshoe past the zzzs.

Still, on the works is a television series in America that positions a view of the United States 10 years after the *Teddy* take-over. An ABC braintrust that had won Kinnar of *Friends* is the evident that they reportedly are ready to curtail the network's new offering, *Murder*. If the series goes forward. At last word, ABC had put the ad on production.

Would it be safe for the Kremlin to object as vigorously, but how strange do we look for something that outlasts that last year's bear card in the first place? Have our own grieves fastidiously taken control of our good sense? By portraying the Soviets as snakes and shlumps do we gain some inscrutable sort of comfort? Observes Jerry Rough, a Soviet expert at the Brookings Institution in Washington: "There's as useful lot of self-satisfied ignoramuses around. We want to believe that all the old *discredited* stereotypes are still going to apply. And it's wishful thinking."

What seems to mystify the Soviets most is that their people—not just their leaders—are being depicted in such uncharitable terms. They say the phenomenon simply has no equivalent in the Soviet Union. Criticism of the U.S. government may be harsh and unremitting, but, Alexander Shishov, a Washington-based reporter for the BBC news agency, "Not a single commercial film or book in the Soviet Union presents American society the way you present it."

Shishov is including a bit of sagacity, of course. You can't go around saying Ronald Reagan is an imperialistic bully without implicating the acidity that is approaching him. Still, the Soviets seem slightly puzzled as to why we have been selling classlessness at this expense and unmasking the short-chested *by Stu* Stu. How come these people are, really? They have yet to comprehend that there is more to us than simple and that our advertising executives and Hollywood types merely are defending the faith—as bald-bared.

*Fred Brannon is a writer with Newsday in New York.*





## CANADA

# 'Hold on to your hats'

Industry Minister Stéphane Dionne was apologetic. His controversial role in the closure of a Montreal oil refinery last month had led to the resignation of oil cabinet minister Suzanne Blain-Grenier, and evoked the first major expressions of dissent within the Conservative parliamentary caucus. With derisive references to "the minister for Ontario," some Quebec Tories had argued Stevens' neglect of the economic interests of their province. But as public meetings returned to Ottawa last week from their annual Christmas break, Stevens—still recovering from heart bypass surgery—minimized the row by the 200-strong caucus—and the party's sagging fortunes.

**Maclean's**

The Conservative strategy seemed based on the notion that the best defense is a good offense. In a spirit of partisan spirit, Mulroney delivered what some Conservatives described as a "pop talk" at the weekly Tory caucus meeting on Parliament Hill, apparently to good effect. Fragmented Tory MPs who had complained publicly about the refinery closing and sale to British-owned Citroener Canada Ltd.—despite endorsed the prime minister's handling of the affair. Andréanne Jacques, the first Montreal Tory MP to criticize the Gulf deal, emerged from the caucus meeting to deliver a thump-speech in the Commons defending the government. The Prime Minister himself was in high spirits, declaring: "The caucus is united, delighted, raring to go. And so am I. Just keep to your hats."

Mulroney also seemed intent on re-stating his own personal reputation. In recent months he had carefully distanced himself from government misdeeds, letting other senior ministers respond to opposition attacks in Question Period and avoiding the grueling last week, returning to the parliamentary floor. In the Prime Minister's strict recte stage, he backed Liberal and New Democrat questions with arm-waving oratory and finger-pointing rejoinders. According to a criterion on the Ultramar issue, Mulroney accused the Liberals of blatant hypocrisy, noting that three other Quebec oil refiners had been shut during the Liberal years in power. Outside the House, Mulroney stopped frequently to chat with reporters and tourists, exchanging views on the issues of the day. The Prime Minister's "very frosty mood," said Tory MP Gladys Scott, "is certainly what the people want."

But that show of energy obscured deep concern in Tory ranks about the political damage incurred recently. Criticism from his own ranks that the federal cabinet lacked strong Quebec voices had almost convinced Mulroney to shuffle his cabinet during the Christmas break—and give Quebec ministers a higher profile. Telephone calls had even been placed from the Prime Minister's Office, advising ministers to stand by for a change in status. Stevens, Treasury Board President Robert de Cotell and a few others were to have been reassigned. Minister Robert Layton (trans), Jack Martin (transport) and Walter McLees (conservation) were to be dropped. And Quebec MP Marcel Dutil was among a handful of backbenchers slated for promotion. But the role of a major shuffle was postponed because Mulroney did not want to be perceived as making changes in a week of political panic. At mid-week Mulroney also had a piece of good economic news for Quebec: the reopening, with federal



Right: party and Mulroney trading insults in the House. Below: heated exchanges

provincial and private funding, of the *OTT-Rapport* paper in Port Cartier, in the now-vacant riding of MacKenzie.

Inside the Commons, opposition MPs were on the attack. Their clear objective is to sustain the negative publicity generated for the government by the railway closing and other losses. Both Liberals and New Democrats, buoyed by favorable public opinion polls, contend that they are on the threshold of capturing disaffected Quebec voters from the Conservatives. The Ultramar issue, said Liberal caucus chairman Douglas Frith, "allowed us to create a major bridgehead in Quebec." New Democratic Party MP Lorne Nyman said that the antagonism toward Tories in Quebec could provide his party's long-sought breakthrough in the province. Added Nyman: "Quebec is the poverty zone, like it hasn't been for a long, long time."

But opposition MPs claim that Canadians are more dissatisfied with Mulroney personally than with his government. In separate interviews with Maclean's

both Frith, from the Northern Ontario constituency of Sudbury, and Nyman, in his own riding of MacKenzie, Mulroney's reputation was riding. Yorkton-Melville, and that the Prime Minister's credibility problems have led many of their constituents to re-elect Mulroney as "prime minister."

On the government side of the House, Tory MPs said they were bewildered by the criticism. The nation's economy has improved markedly since the Conservative came to power—a point stressed at every opportunity by Mulroney—but the public perception—as reflected in the polls—appears to be that the government has achieved little. William Turner, a fresh-faced Tory MP, said that there is a common theme in the comments he hears from his constituents in Nepean-Carleton, a suburban Ottawa riding: "They say, 'Bill, I wish the government would pull up its socks and get on with things!'"

Officials close to the Prime Minister concede privately that Mulroney has an image problem. To correct it, Mulroney's

## Some shorts



advisers are considering arranging visits to rural communities across the country. Their reasoning: better to small-town hockey rinks and lagoon hills than at big-city, black-tie dinners, and he generates more favorable media reviews outside the capital.

Beyond Quebec, there was renewed optimism last week of the government's handling of the de Meehan issue. A parliamentary committee set up to examine the sale of the firm to the U.S. aerospace giant Boeing had scheduled a long slate of witnesses but the Conservative minority on the panel voted to restrict the list of witnesses, prompting Liberals and New Democrats to file a motion to obstruct the government's high-handed tactics.

Yet the Prime Minister's major preoccupation last week was clearly the economy. Falling unemployment rates—down to 15 per cent last month, the lowest since the spring of 1982—and inflation under control at an annual rate of less per cent were increasingly difficult to keep in public focus as interest rates ebbed and the dollar declined, as foreign exchange and the overall improvement in the economy apparently has not allayed business concern about the nation's \$80-billion federal budget deficit.

While Finance Minister Michael Wilson, a former Bay Street investment executive, is still regarded highly in business circles, Mulroney's reputation has suffered. Asked to rate the current cabinet, Geoffrey Hale, director of government relations for the Canadian Organization of Small Business, gave high marks to Wilson, Energy Minister Patricia Cursey and Transport Minister Doa Macdonald. But Hale said others had problems with the "big-wings" factor, the Mats Fitter, the creditworthiness problem. He refused to comment on Mulroney's performance, but he added, "You can read into that what you want."

The chief beneficiary of the Tory setbacks has been Opposition Leader John Turner. Since the Liberals' massive defeat in 1984, Turner has travelled 300,000 km across the country, largely mending fences within the party itself, as the party gathered for a weekend caucus in Ottawa. The Liberals received divided over using basic income, including free trade. They also recognized that their current standing had more to do with Tory losses than Liberal victories and could quickly turn against them. But with both major parties at the attack, the current parliamentary session seemed certain to produce some epic confrontations.

—PAUL GIBBON with RALPH MACLEOD

# Looking for work and business

**W**ith its pipes paged of steam, Ultramar Canada Inc.'s refinery in Montreal, a 100,000-barrel-a-day facility, had last week to a complete shutdown. But for Prime Minister Brian Mulroney, the political tempest stirred by the refinery closing was unanticipated. On Parliament Hill, oppositions were reluctantly convinced the government's decision late last year to allow British-owned Ultramar to lay the refinery from Gulf Canada—and then carry out its pledge to shut it down. Attempting to salvage political support—and jobs—in Quebec, Mulroney told the Commons on Wednesday that his government was seeking a buyer for at least part of the refinery. The prime minister made a concession apparently led by Lavalin Inc., a giant Montreal engineering firm. But despite the Prime Minister's efforts, the mood at the refinery remained pessimistic. Said Robert Fournier, 52, the refinery's manager: "We cannot live on hope."

In fact, neither the political crisis nor the economic situation that led to it seemed likely to be easily solved. Already, more than 100 of the refinery's 400 employees have been laid off by the closure. The rest are expected to disappear by March's end. Most of the workers live in Montreal's economically depressed east end, which has suffered two other major plant closings in the past five months and faces the possibility of more layoffs in the months ahead. And while the Prime Minister last week increased the social credit without his Quebec caucus, some there were still concerned about what they perceive as Quebec's lack of influence in cabinet. Declared Suzanne Blain-Grenier, the former minister of state for transport who resigned from cabinet last month over the Ultramar affair: "The government's decision may have been good for Canada, but it was terrible for Montreal."

In fact, Macleod's has learned that the consumer and corporate affairs department has asked the Standing Senate Committee on Ethics and Procedure to investigate the events surrounding the \$20-million purchase of Gulf Canada's Canadian assets by Ultramar, which also operates another refinery in Quebec. The committee will also examine whether the firm's conditions for selling the refinery violate Canadian competition law by insulating it from competition, thus preventing any buyer from selling the refined oil in Quebec.

Arthur Dickenson, Ultramar's vice-president of corporate relations, denied that his firm is a "good business" using



**Where no easy solution to the economic situation**

competition with them in Quebec."

Still, the concession's bid—publicly revealed only after Gas Métropolitaine withdrew its offer—may include an attempt to obtain the refinery by operating it only for export production. Bernard Lavalette, Lavalin's president and a longtime acquaintance of Mulroney's, organized the company's offer. Unconfirmed reports also said that Communications Minister Marcel Masse, a former Lavalin vice-president, was closely involved in the negotiations. Meanwhile, a second major Montreal engineering firm, The Pac Group, announced that it is weighing a bid on behalf of unnamed shareholders for the purchase of part of Ultramar's assets—two petrochemical plants on the refinery site. A decision by 880 is expected that week.

But while there seemed to be several potential buyers, Ultramar appeared reluctant to sell. Said Ultramar's Dickenson: "It is going to be very difficult for any deal to go through." The company's rationale: it needs to use the plant's existing tank space factors off. Ultramar also plans to use parts of the Montreal plant to upgrade its refinery in Bétonniste, near Quebec City.

Indeed, a senior Montreal executive close to both the oil industry and the Ultramar transaction told Macleod's that it is unlikely that the refinery will ever re-open. "The whole deal is designed to let us oil companies operate at high capacity and gain sufficient market share to make money," he said. Engineering companies might be hired to undertake feasibility



**Bétonniste: savings**

## The dawning of a new era in executive travel



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**More space:** Air Canada is the first to redesign a fleet of state-of-the-art widebody 767 jets to meet the particular needs of North America's business travellers. And the first

to introduce Executive Class service. A level of attention that gives

the discerning traveller so much more for slightly more than full fare economy.

**More service:** Our premium personalized service begins when you call Air Canada or your Travel Agent. Reservations, seat selection, ticket delivery and notification of schedule delays are handled on a priority basis.

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And the superb cuisine is selected from special menus, served on linen with fine china and glassware, accompanied by fine wines and completed by tempting desserts and liqueurs.

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**More choices:** Our new standard of service in Executive Class is also reflected in First Class and Hospitality Service. The separate First Class cabin is even more spacious with seating for only ten in larger, custom-designed leather seats with armrests. The service includes five course meals, linen, fine china and glassware service, and premium brands from the bar, as well as priority boarding with fast off baggage handling. And there are even complimentary gifts

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on your way to the top



 **AIR CANADA**



studies, he added, but they were "unable to keep a refinery that would wreck their relationship with the very oil companies for whom they build plants."

Within the Conservative caucus, MacLennan raised swiftly last week to restore unity. Although Robert Bourassa, the Quebec senator, maintained that he was still considering leaving the party to protest the government's actions, other dissident Quebec MPs rejoiced the results. Said Vincent Della Noce, the Burymore MP who had signed a petition protesting the sale: "We still ate a Liberal trap. There have been four years of agony in Montreal East and the Liberals are to blame, not us."

But Della Noce, a former president of an oil transportation firm in Quebec, said he was "disgusted" about the behavior of the major oil companies in the Gulf sale and the subsequent refinery closures. He added that he wanted Ottawa to release a report prepared for consumer and corporate affairs by economists investigating Michael O'Farrell.

Some opponents of the refinery closure say the O'Farrell report concludes that the agency will leave Quebec short of refining capacity and more dependent on another imported refined product. In the Commons last week Energy Minister Pat Carney said the province in fact had an oil surplus that would not be affected by the refinery closing. But Della Noce said: "There exists a philosophy within the government that there should be only two centres for petroleum production in Canada—Ontario and Alberta." And the Oil Finger's Guide, a New Jersey-based weekly journal which is highly regarded in the industry, reported in its Jan. 13 issue that the closing of the Ultramar refinery would leave the province with a daily deficit of 36,000 barrels of refined oil. Said the journal: "It appears that Quebec's refineries will have to import refined oil at a high rate throughout 1986, a surely dismal forecast."

But the Ultramar closure appears to have convinced most Quebecers that Ottawa will have to intervene directly to improve the economy of Montreal's east end. Energy Minister Gérard, for one, said that the Quebec government was acting on the Ultramar case to "save what is left of our petrochemical industry and not build on it." But, said Robert Bourassa, who is now charged with shutting down the refinery where he worked for nearly 20 years, "you cannot keep people around here doing nothing while the politicians talk. I have to start deciding what to do with the rest of my life."

—ERICK WALLACE in Montreal

## Japan's poetic emissary

It was a bone-chilling —10°C when Yutaka Nakasone arrived in Toronto with his wife, Tatsuki, for the start of his first solo visit to Canada. But as the Japanese prime minister told a Vancouver audience three days later, despite the frigid temperatures, "trust, because of the heart-warming welcome, I was sweating the whole time." That sense of good-humored disbelief was on display during Nakasone's many public engagements last week. At one point, the 63-

of-protectionism" but did not allude directly to the free trade question. In turn, Macrory assured his guest that any trade agreement with Washington would respect the General Agreement on Tariffs and Trade.

Speaking to Parliament in English and French, Nakasone outlined recent Japanese measures to lower barriers to foreign exports, a response to complaints by its trading partners about huge trade imbalances in Japan's favor. Then, near the end of his half-



Mulroney with Nakasone in Vancouver, warning of the "jitters of protectionism."

year-old leader and Berrey, B.C. native John Taita's presence in some wrestling, Japan's national sport, and added, "I take this as an example of your aggressively explosive, yet traditional, manners."

But in discussions with Prime Minister Brian Mulroney and other officials Nakasone was frank with an onerous proposal to Japan's interests. Canada's impending free trade negotiations with the United States

Indeed, although disengagement and Third World development were high on last week's agenda, Nakasone sought assurances that any future trade agreement with Washington would not result in a "Tartessus North America," Japan is Canada's largest trading partner after the United States, and Tokyo officials fear that a free trade accord would inevitable cause Japanese trade to suffer. In public, however, Nakasone played down the issue. In a speech to a rare joint session of the House of Commons and the Senate he referred to "the pitfalls

before speech Nakasone became more lyrical, envisaging the convergence of Eastern and Western cultures. At that point, he declared, "all living creatures on earth will enjoy the supreme bliss of these emotions."

That mellow mood also prevailed during Nakasone's visit to Vancouver, where he met British Columbia Premier Bill Bennett and his Indians. In a single ceremony, the Japanese leader dedicated the Pacific Bell tower at the University of British Columbia. Then, after giving the university an armful of gifts, Nakasone was given a volume of 100-year-old, the Japanese were boys, written in French and English. Later, Nakasone had an opportunity to recite a poem composed for him. Even in the context of the theme of trans-Pacific friendship, Nakasone read "The Bell tolls for the wide/Across the Pacific Ocean Ringing the far message of spring."

—CINDY BARRETT with MICHAEL MORSE in Ottawa and ERICK WALLACE in Vancouver



Greenpeace members stage march banish oil drums banner for a toxic block

## Trying to find polluters

**W**earing black shacks, chalk-white face paint and gas masks, the protesters entered a oilfield up the steps of the courthouse. The *Rockets and Paper in D minor* by J.B. Beck played on a portable tape recorder. Then, unfurling a banner that read "No More Risks," they walked silently back down and dispersed the coffee in a revised black van and drove away. That mock funeral had work, staged by the environmental Greenpeace organization in Sarnia, Ont., memorialized the so-called blob, a tarry 1,580-square-metre oil deposit discovered in the St. Clair River between Sarnia and Port Huron, Mich., last September. It was caused when 2,629 gallons of the emulsifying, dry-cleaning solvent, pentachlorophenol, was spilled from a nearby Dow Chemical Canada Inc. plant in August and mixed with sediments of the river bottom. A \$2-million cleanup was completed on Dec. 30.

During last week's Greenpeace protest, Dow lawyer administered in court that a plant accident had caused the spill and the legal panel ruled in four charges under the Ontario Water Resources Act of polluting the river. Said Dow lawyer Lynda Correa: "This is an event that happened. Breathless however, and the company apologizes." But in a 12-page private agreement, with Dow designed to shield the press and the region's chemical indus-

try, the provincial government learned of the Dow spill in September. Bradley swiftly launched a series of tests to analyze St. Clair River water. The tests are still under way. He also created a new oil-spill enforcement branch in the ministry, hiring former army officers, and he doubled the ministry's staff in Sarnia. The office has been investigating the records of three chemical companies—Dow, Canwest Services Ltd., a Petro-Canada waste-processing company, and Polysar Ltd., a federally owned petrochemical company that makes synthetic rubber—in investigations not related in the blob.

Bradley's tough stance has angered some industrialists in the chemical valley. "Contamination does not work," said Ronald Denning, general manager of the Lambton Industrial Society, an industry-funded environmental group. "Change depends as the industry people know in themselves don't accept plain anything." But many residents of St. Clair River communities downstream from Sarnia want more government action. In Wallaceburg (population 12,000), Lapierre's coalition has asked the province to extend a pipeline from Lake Huron to their community, bypassing the river. Said dentist Douglas Steen: "We just don't want to be at the mercy of the Sarnia industrial plants. We don't trust them any more."

Because the pipeline must cross Ontario's 38 million, another local committee is looking for a short-term method of improving the town's filtration system. To ease fears about long-term health problems, county medical officer Wayne Everett has asked the provincial board of health to approve a proposed study of the water's effects on pregnant women and infants. "If they can spend money investigating spills, they can spend money on human data."

As the cleanup, the provincial court in Sarnia has been asked to decide Dow's penalty. In total, the Sparshott plant would normally carry a \$20,000 maximum fine but the firm could be as high as \$180,000 if the exact damages that the blob spill was not Dow's ordinary commercial product but was from the manufacturing process. And when Provincial Court Judge A. L. Reid rules on Feb. 13, his decision may set a test for whether the government's crackdown on pollution is as tough in practice as it is on paper.

Bradley cracking down



—JAMES BRADLEY  
in Sarnia

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—JAMES BRADLEY  
in Sarnia

## Stampeders on the block

**T**he telephone in Ralph Klein's office began ringing last Monday at 8:01 a.m. In the next seven hours, the Calgary mayor logged more than 700 phone calls—all from angry or concerned citizens. The issue that led to the phone-in request by private investors for \$6 million in loans from the city to help save the financially troubled Calgary Stampeders football team. The response from free enterprise-minded Albertans was predictably—and overwhelmingly—opposed to the request. Said Klein's executive assistant, Radhika Lave, quoting some blunt callers: "You tell Ralph that if he spends one nickel—and I'll leave it to your imagination what kind of catastrophe they would get the money through." Across the province, in newspapers, talk shows and even Premier Donald Getty's office was the same: keep government out of football.

The protest began after a group of nine businesspeople, led by Calgary oilman Douglas Blane, offered to the troubled community-based franchise and invest \$8 million to rescue the Canadian Football League team from bankruptcy. But insisting on the

need for government assistance, Blane raised city coffers to level \$2 million immediately and arrange a \$4 million line of credit. Initially supportive, city politicians reacted swiftly to the indignation, postponing a vote on the request until that week.

For his part, Getty, a former quarterback for the Edmonton Eskimos, pledged a \$1-million provincial loan guarantee—but only if the Calgary council agreed to participate. Declared the Conservative premier, who has repeatedly advised people with problems not to turn automatically to government: "It would be very bad and if Calgary lost the Stampeders."

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ANDREW STRITOFSKY in Edmonton

two franchises—Vancouver and Winnipeg—made way last year. The rest lost a total of almost \$7 million. The Stampeders compiled an unimpressive 3-13 won-lost record last season, drawing an average of only 14,100 fans at home, compared to 31,500 in 1986. Without government aid, Blane predicted, Calgary would lose the 30-year-old franchise. "We are not doing this to make a buck," he said. "We just don't want to lose money."

Backed with mounting opposition on city council to a rescue, Calgary Ald. Tim Hardley last week launched an aggressive campaign to raise \$4 million in contributions from the public. The Stampeders, Hardley explained, are "like a dog you kick around. Once it's not there you'll miss it." So back of the fund-raising blitz, called Stamp-Aid, Hardley

Kids each contributed \$1,000. But after two days were skeptical, Calgarians had contributed less than \$10,000.

—ANDREW STRITOFSKY in Edmonton



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# A town's lament for tuna

For more than a century St. Andrews, N.B., has been best known as a scenic tourist resort. Generations of wealthy Canadians—from 19th-century railroad baron William Van Horne to the current Liberal party leader John Turner—made it their summer home, enjoying its rustic settings and its rocky beaches. But the town's pastoral image has been tarnished recently by controversies involving the area's largest employer—a tuna packing plant owned by Star-Kist Canada Inc. "The stories made at sound bites the plant was right in the

ays former plant worker 22-year-old Clayton Welsch of St. Andrews, who witnessed the breif in which the tuna was packed. "The employment situation is pretty bad...they're not much alternatives." Almost all of Welsch's income, from unemployment cheques (\$10 per week) and his wife, Nancy's, \$149 weekly wages as a waitress in Cockburn's Corner Drugstore, are "taken up with bills, mainly. I've got a lot of books to read."

Last week more than 300 inspectors began eating about 30 million cans of Star-Kist tuna at warehouses across

artary. "In and out, cigarettes, gas, milk, bread, the dairy paper I used to have two full-time and eight part-time people working. Since the shutdown there's just me and my daughter." Between them, she adds, they eat logging down 300-hour work. Her recent sales down 20 per cent to 40 per cent from last fall's figures.

Like most residents, Garrett is puzzled by the plant's difficulties. "I don't understand. Plenty of people have eaten it and no one's ever got sick." Mayor Lawrence says that when the first recall was announced, he immediately bought two cans of the affected tuna before it was removed from the shelves. "We're just finishing up the second case now," he said. "As far as we're concerned, there was nothing wrong with it." Instead, Lawrence and other St. Andrews residents claim that personality conflicts between fishery department inspectors and plant managers caused Star-Kist's troubles. "Somebody's judgment was questioned and from then on it's a whole lot of putting up your back," the mayor said. Lawrence and other New Brunswick politicians are calling for a scientific tuna testing system to replace subjective inspections—locally known as "tuna and self."

Still, Lawrence says he remains optimistic. He added that he is particularly pleased by Ottawa's appointment last week of Al Morrison, head of the University of Guelph's food science department, to review inspection procedures. "That should be a lot of improvement," said Lawrence. Right now, there are no fish swimming in the seven tanks that would pass the inspection."

Meanwhile, the St. Andrews community is facing a second potential challenge: decertification of the Star-Kist employees union. The attempt to decertify Local 1288P of the United Food and Commercial Workers was launched by a group of disgruntled employees after two wildcat strikes last summer. But while the town awaits the decertification result, the hard edge of labor bitterness has been blunted by grim economic reality. Conoco gas station president Judy Giesa, who was fired by Star-Kist following the shutdown, "Things do not look too good down here."

Meanwhile, area merchants are suffering from the effects of the shutdown. "A lot of my business was from people going to and from work," says Susan Garrett, 38, bookshop owner of the Irving Community Convenience store, located on Highway 1, the area's main

KATHLEEN HABERLE in St. Andrews



Lawrence in St. Andrews: "right now, as far as the seven year would pass the inspection"

middle of town. Like it's a company town," exclaims St. Andrews Mayor Rev. Lawrence. In fact, Star-Kist, Canada's only tuna processing facility, is located in the rural hamlet of Bayville, 13 km down the coast from the pastoral village and elegant hotel that annually attracts some 150,000 tourists.

But it is more than the town's bloodied profile that has suffered. Although losses are as annual influx of \$12 million, Star-Kist—with 600 employees and annual payroll of \$4 million, has been the year-round economic mainstay of St. Andrews, a community of some 1,200 Charlotte County residents. As a result, the plant's Oct. 18 shutdown—after its tuna was declared unfit for human consumption by federal inspectors—has had a major adverse impact on the community.

"There's nothing but looking out the windows and watching life pass by,"

the country. The new inspection follows Ottawa's outright rejection or recall of roughly 10 million cans since the recall was announced last September. Many area residents say they now fear that Star-Kist's American owner, H.J. Heinz Co., may decide the plant should never reopen. Star Peter Peter, 45, a 20-year-old president of the St. Andrews Chamber of Commerce, fears an import cannot turn free the "Third World cheaper than it can be here." Star-Kist managers say that the plant will remain closed until the testing problems have been resolved.

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# An unexplained alert

At Ottawa International Airport security guards frisked passengers, searched carry-on luggage, scanned storage lockers with electronic "sniffers" and patrolled the halls looking for unattended baggage and suspicious packages. RCMP officers guarded the entrance to all restricted areas. At Lester B. Pearson International Airport in Toronto, airport authorities asked some passengers retaking connecting flights to identify their luggage on the tarmac before it was placed aboard the plane. At Montréal's Dorval and Mirabel airports similar security measures were in place last week. The reason: an alert issued by federal authorities after what Deputy Minister Kirk Nielsen described only as "the threat that has been received which we are treating quite seriously."

Nielsen, the minister and government officials declined to discuss details of the threat. In a statement to the Commons on Thursday, Nielsen would only say that there was "a security threat against an aircraft at the Ottawa International Airport and the travelling public."

Newspapers published reports that there was a plan to blow up a U.S.-



Ottawa airport guard: public safety

bound commercial jet. The media reports and the alert was triggered by a tip to police in early December that a suspect of Libyan leader Muammar Khaddafi threatened to hide explosives aboard a jet bound from Ottawa to Washington on the Jet. He's weekend Nielsen would not confirm or deny the reports, but he said some of them were "quite inaccurate." And a well-placed source told Maclean's, "There is no Libya connection."

Indeed, on Friday Nielsen said that even the report of a bomb threat at Ottawa airport was "far unconfirmed." Added the minister, choosing his words carefully as he responded to questions, "This report sounds the Commons. "If it was not safe for the travelling public to fly, we would close down the airports," he said. "Every measure is being taken that is possible to ensure to the maximum extent the safety of the travelling public."

Most travellers, who encountered delays of only 15 to 20 minutes in departure, took the extra security measures in stride. Still, some airport workers, concerned about their safety, threatened to refuse to report for work on the weekend. "There's a lot of anxiety here," said James McIsaac, an airport real-estate agent at Ottawa airport. "People are walking around wondering what is going on. They don't tell us anything."

## BATTING FOR CHANGE

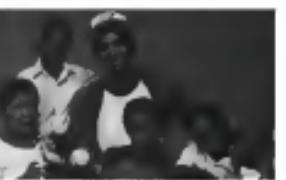
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Gaddafi and (below) U.S. aircraft carrier *Constellation* face challenges in the air and on the airwaves

## A spreading air of violence

**H**igh in the noonday sky off Libya's Mediterranean coast, two Soviet-built MiG-23 Fulcrum interceptors closed in within 200 feet of an American E-3B electronic warfare plane on a escorting mission from a U.S. base in Spain. From the U.S. aircraft carrier Constellation, patrolling the area, two F-14 Tomcat fighters swooped and shrieked toward the scene of the encounter. But the MiGs suddenly turned away and headed home to their Libyan base before the U.S. jets arrived. According to Pentagon spokesman in Washington, the episode—roughly 180 miles off the Libyan coast last week—was partly orchestrated by two other spy planes observing it from a distance: a Libyan-based Soviet MiG maritime patrol plane and a carrier-based U.S. Navy Hawkeye early-warning plane.

The Libyan jets—in 1981 American fighters shot down two Libyan aircraft over the narrow Gulf of Sidra—gave no sign of seeking combat. But the inci-

dent underscored a week of mounting tensions and violence across the Middle East. As Washington and Tripoli exchanged harsh verbal exchanges over Libya's alleged support of terrorism, the Soviets and the Americans strengthened their forces and sought to improve their position in the region. In pre-Shoemaker South Yemen, an impor-

tant of the Phalangist forces of President Anis Gromyko, who was exiled from the negotiations and who opposed the Dec. 2 accord because it delegated more power to Lebanon's Moslems. The fighting began in Beirut early in the week with clashes between Gromyko's Christian forces and the Christian militia of Elié Hobeika, who signed the accord on behalf of Lebanon's Christian community. On Wednesday the Phalangists decisively defeated Hobeika's forces during a battle in which at least 200 people died. Hobeika fled to Paris as Moslem and leftist infiltrators began shelling Rikfaya, Gromyko's mountain stronghold northeast of Beirut.

At the same time, fighting engulfed Aden and spread into the South Yemen countryside after an assassination attempt against Marxist President Ali Nasir Mohamed. On Monday, set off an uprising led by hard-line Marxist Western diplomats reported that the coup attempt against Mohamed's 16-year-old regime resulted from the



mined stretch of desert around the Red Sea port of Aden, four harbors raged between government forces and in Lebanon fighting shattered the Syrian-backed peace accord signed three weeks earlier by Christian, Shi'ite Muslim and Druze leaders.

There, both Christians and Moslems

subsidized dissident groups in more moderate Arab states and in the West. But they noted that Moscow did not support the rebellion. As fighting continued at week's end, foreign governments began to evaluate the hundreds of foreigners—including about 16 Canadians—still in the country.

But Moscow did support another ally—Libya's Muammar Gaddafi. Israeli officials said that the Soviet navy deployed three ships off Israel's coast to track sea and air movements and to warn Libya of any imminent attack. As well, a Portuguese spokesman said that the Soviets had moved a cruiser and a destroyer from the Black Sea into the Mediterranean, increasing their naval presence there to 28 vessels—at least six of them fighting ships. For his part, Gaddafi gave no indication that he was influenced by the 36 U.S. navy vessels—at least 14 of them fighting ships and including the newly arrived aircraft carrier *Battle*. Instead, he proclaimed his intention to trap Arab general Shad el-Khalidi at a rally: "We shall allow him and place at their disposal all the weapons to carry out these [territorial] invasions."

In response, Secretary of State George Shultz said on CBS-TV's *Face the Nation* that the United States still had not ruled out the option of military retaliation against Libya. He also repeated President Ronald Reagan's call for a boycott of Libya, and denied that a refusal by European nations to join in American economic sanctions had hurt the program. But major U.S. allies such as Great Britain and West Germany remained firmly wedded to a Libyan boycott, and in Norway senior government officials repudiated earlier statements that Norway might end sanctions. For its part, Canada has imposed partial sanctions, including ending governmental assistance to firms doing business in Libya.

In the midst of tensions and bloodshed, 11 foreign citizens were dramatically rescued by the lighting in Aden earlier in the week. The 11—2 Americans, Australians and Dominican Republic of Canada—said that the crew of a Soviet freighter, a guard of marine-gas and artillery fire to transport these men of Aden harbor to a larger Soviet freighter, which took them across the Red and Mandab Straits to Djibouti. Said Australian Trevor Robinson: "The Russians treated us magnificently. They took rights for us."

Indeed, at a breakfast meeting hosted by Gromyko the day after his speech, the leaders of Norway, El Salvador, Venezuela and Panama agreed to create a new Central American parliament to deal with regional problems. And they signed a statement pledging "vigorous support" for the Carter administration's peace process for the region. Only three days earlier in Venezuela the Contadora group—Mexico, Venezuela, Colombia and Panama—called for an end to foreign support of

—PETER REPPENBERG in Toronto with  
correspondent reports

## Declaring independence



Cesario Peralta and former head of state Major "power without authority is tyranny"

Paris of the inaugural speech by Guatemala's new president was aimed at Central America's most populous nation. Leading a return to civilian rule last week after more than 30 years of military-dominated government, President Marco Vinicio Cerezo Arevalo pledged that the priorities of his five-year term will be repairing Guatemala's battered economy and improving its much-criticized human rights record. But Central American foreign policy understandings were more surprising. In a ceremony at Guatemala City's National Theatre, Cerezo, 42, vowed that he would never heed U.S. political pressures in order to obtain foreign aid. U.S. officials took Cerezo's statements seriously, and were clearly concerned by the presence of Nicaragua's leftist President Daniel Ortega at the ceremony. In a region torn by intrusions and foreign military involvement, Cerezo made clear that he would work for a new era of independence in Central America.

Indeed, at a breakfast meeting hosted by Gromyko the day after his speech, the leaders of Norway, El Salvador, Venezuela and Panama agreed to create a new Central American parliament to deal with regional problems. And they signed a statement pledging "vigorous support" for the Carter administration's peace process for the region. Only three days earlier in Venezuela the Contadora group—Mexico, Venezuela, Colombia and Panama—called for an end to foreign support of

guerrilla forces. That would oblige Washington to cease supporting rebels fighting the Nicaraguan government.

Domestic problems are the main obstacles facing the new president. Guatemala has the region's richest resources but suffers from a 50-per-cent annual inflation rate and a \$2.5-billion (U.S.) foreign debt. As well, Cerezo faces pressure to eliminate human rights abuses which, in successive military campaigns against Indians since 1954, have left an estimated 100,000 civilians dead or missing. Likewise, a Christian Democrat, pledged "profound respect for the human rights of all," but mindful of the military's power, he declined to adopt the Argentine example where, in a similar situation, military officers went on trial. Indeed, less than 24 hours before Cerezo was sworn in, outgoing head of state Gen. Oscar Humberto Mejia Victores declared an amnesty exempting the army from prosecution for human rights violations.

Still, with a parliamentary majority and a 60-per-cent share of the vote in last month's election, Cerezo has the support to try to break the cycle of economic and social problems. Said the new civilian president: "Authority is not power. They are two different concepts, and we must see the difference between them because power without authority is a tyranny."

—ANDY TELESKI in Brussels with  
correspondent reports

## Translating a vision into a tunnel

The suggested link has long been, in the words of William Shakespeare, a "preposterous stane set in the affer sea which serves it in the affre of a wall." In an attempt to aid Britain's isolation and invade the island, Napoleon Bonaparte in 1802 ordered a French mining engineer to draw up plans for a tunnel to be built under the English Channel. The tunnel was never built, but now that vision is about to become a reality. In 1984 French President François Mitterrand and British Prime Minister Margaret Thatcher agreed in principle the idea of a fixed link between Britain and France. And after their scheduled joint announcement this week of a chosen design, the two leaders planned to finalize the agreement in February.

The project represents a calculated political gamble on the part of both leaders. Any of the four design proposals considered—a bridge, a combined bridge and tunnel, a rail tunnel and a combined car and rail tunnel—would create at least 30,000 jobs. That is a particularly alluring prospect for Mitterrand. His ruling Socialist party is facing parliamentary elections this March—and running at a mere 21 per cent in the popularity polls. And with Britain's next general election due by 1986, Thatcher also has no regular support for her Conservative party, which has slipped dramatically as unemployment has risen to almost 13 per cent—more than double the rate when she assumed office in 1979.

The enthusiasm of the two leaders for a channel link was enhanced by the fact that the project is planned as a private venture. Eleven years ago the Labour government, then in power in Britain, blocked earlier plans by a Tory administration for a tunnel because of spiraling costs and environmental concerns. This time private financiers and industrialists tendered four rival bids, with the winner to pay the construction costs and operate the link.

Still, the French and the British have long been divided on what form the link should take. The French favored a \$17-billion proposal by the Channel Tunnel Group—an Anglo-French consortium—for a rail-only tunnel for conventional trains as well



Artist's conception of channel link: political point but fear of environmental damage

as shuttle trains to carry motor vehicles. Such a tunnel would be a showcase for French train technology, considered the most advanced in Europe. But the British argued that a rail-only system would be vulnerable to strikes by the railway unions. As a result, London recommended acceptance of a \$5-billion Channel Recovery Ltd. with rail and road tunnels.

Meanwhile, in the predominantly English county of Kent, the probable British location of a tunnel entrance, some residents say they fear that the link will disrupt the environment. Said Gwenaelle Leach, whose 50-acre dairy farm lies on the edge of a proposed railway yard for tunnel-bound trains: "A survey came last summer and said to us there would be a paragraph under for part of our land. The noise and pollution would be awful." And although the opposition Labour Party approves a link, its members have said that they will withhold support to protest Thatcher's refusal to hold a public inquiry into the scheme.

As well, Pferflich, a coalition of French and British ferry and port au-

thorities, has opened a \$3-million campaign publicizing what spokesman say are the potential weaknesses of the plan. According to a Pferflich spokesman, a tunnel link could destroy the 38-mile ferry business between Calais and Dover—and up to 40,000 port and ferry jobs on both sides of the channel. Said Jonathan Blaggert, Pferflich chairman and managing director of the Dover Harbour Board: "If the ferries are driven out of business, the effect would be disastrous." Adds Captain Charles Chamberlain, Director of Commerce Director Guy Flammang: "It is a completely useless project."

Critics also point out that the estimated construction costs do not take into account the possibility of overruns. Indeed, costs for the last major Anglo-French supersonic Concorde jet, sourced from an initial \$80 million to \$100 million when the project was completed in 1976 (if the same rate holds for the tunnel), France and Great Britain may be forced to contribute public funds to a much-cherished project.

—RONALD LAWRENCE

### The letter is genuine



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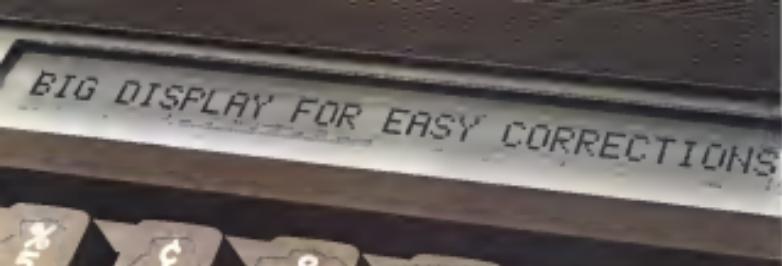
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A TOUCH MORE ADVANCED

## Thatcher's albatross

For almost six hours Leon Brittan sat expansively in the British House of Commons while opposition speakers rose one by one to demand his resignation. But when it came time to respond to his attackers last week, the beleaguered trade and industries secretary proved that he was still in fighting form. In a 30-minute speech frequently disrupted by opposition senators, the former attorney lawyer defended himself against charges that he had violated the Conservative government's policy of strict neutrality on the future of the near-bankrupt Westland Helicopter Co., Britain's last remaining helicopter manufacturer. It was an impressive display of damage control. And by the time it was over, even his critics acknowledged that Brittan had managed to salvage—if only for the moment—his once-promising political career.

Still, Brittan's performance did nothing to calm the political storm that has enveloped over the Westland affair. Indeed, the British press carried sensational new charges last week that Prime Minister Margaret Thatcher's government had coerced premises on the British Broadcasting Corp. in an attempt to limit coverage of the saga. And to another twist, Foreign Office spokesman acknowledged it had tried to stop the Italian government from making statements in support of a European consortium fighting for minority ownership of Westland.

The controversy first took on political overtones last fall when it became obvious that Thatcher's cabinet was badly divided over the question of state involvement in private enterprise. Defining the free lady's non-interventionist policy, Defense Secretary Michael Heseltine said that a former defense spokesman had "certainly delivered" Westland into the hands of the giant U.S.-based United Technologies Corp., parent company of Rockwell Aircraft, the world's largest manufacturer of helicopters. Heseltine strongly favored a rival offer from the European defense contractors, including British Aerospace (BAE). Declining that Thatcher's interventionist style had stoked legitimate dissent, Heseltine swagged from his £90,000-a-year post earlier this month.

Last week Heseltine accused Brittan, 46, of telling BAE's chief executive, Sir Raymond Lope, to withdraw from the European consortium. Brittan flatly denied the allegation. But during opposition charges of a cover-up, Thatcher the next day released a letter that she had received from one of her cabinet. She

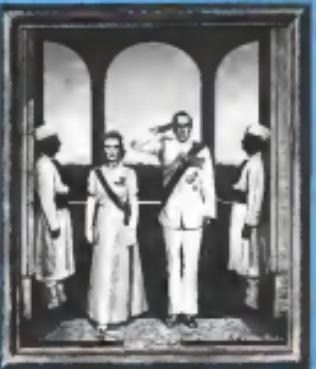
stated: "Between then [Sept. 21], the statement over Westland's fate continued. The company's shareholders—meeting in London's 3,000-seat Royal Albert Hall to assess damage to the consortium—voted to accept Sikorsky's \$150-million offer for 29.9 per cent of Westland. But the result fell short of the 75-per-cent majority needed for approval. And it seemed unlikely that Thatcher's political troubles would end as long as the future of the helicopter firm remained in doubt."

At week's end Lope came to Brittan's defense by apologizing for what he called an "unfortunate misunderstanding."

—RONALD LEE in London

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# 30,000 DIE WHILE FEDS SIT ON HANDS

It's a national scandal. According to Health and Welfare Canada, more Canadians will die at the hands of tobacco industry products in the next 18 months than were killed in World War II. Despite these tragic figures, and unlike virtually any other industry, the tobacco industry has been allowed to regulate itself thereby evading any serious form of legislative scrutiny of the way it promotes its products.

## AN UNTOUCHABLE INDUSTRY?

Despite the fact that virtually every medical group in Canada has called for a ban on all tobacco advertising, the federal government sits in legislative silence while the tobacco industry promotes its deadly products.

Any industry with a track record like the one would face legislative intervention. But apparently not the industry whose products are responsible for more deaths than any other. It would appear that some folks in Ottawa believe that this industry is untouchable. It has been, until now, in part because of a deaf public relations play presented to Parliament and the public.

In 1979, after a major review of the tobacco industry, an all-party committee of the House of Commons recommended the end of all cigarette advertising and promotion. To head off legislation to implement the ban, the industry adopted a "voluntary code" to regulate its advertising and promotion. The government bought the pitch and the draft legislation was abandoned.

In the period from 1972 to date, tobacco manufacturers have flagrantly violated the code. During this same interval, this industry's products have killed over 300,000 Canadians. It's hard to

understand why Parliament would choose to have faith in an industry whose *wrongs* create the largest cause of preventable death in Canada. "Trust us" says the industry. And so far, M.P.'s have allowed the fox to guard the chicken coop.

Since the government seems reluctant to discuss the subject of self-regulation, we've decided to raise the issue. The industry has violated most rules in its code. Our report, *A Catalogue of Deception*, reviews these violations. Here are just three:

### 1 The "We're not after the kids" Routine.

Although the industry lies if it doesn't enlist new users, the tobacco lobby claims that it doesn't encourage young people to smoke. As "proof," industry spokesmen point to their code which prohibits ads within 200 metres of schools. Yet, our researchers found hundreds of billboards within such prohibited zones. And we completed only a small, random sample. When news of these violations hit the press, the industry rushed to remove the ads.

The industry is on record as saying that the code covers all forms of ads including posters in variety stores near schools. Thousands of such posters are still in the prohibited school zones. When the whistle was

blown on this violation, the industry opted to "reinterpret" its code rather than correct the thousands of violations.

*"The industry we seek to regulate is powerful and resourceful. Each new effort to regulate will bring new ways to evade... This is a battle which can be won."*

Robert F. Kennedy  
Former United States  
Attorney General

### 2 The "prominently displayed" health warning.

In another rule, the industry promises that its health warning will be "prominently displayed" on all billboards and market place advertising. In fact, many of the billboards displayed to date have had no warning at all. The company which displays most of the industry's billboards says in its manual that "unimportant statements" can be printed with letters of "4 inches or less. This guarantees that no one will be able to read them!" (emphasis as original) The health warnings on most billboards use letters of 2" or less. Advertising companies confirm that lettering must be at least 6" high simply to be seen at average viewing distance.

## 3 No Ads on TV.

The industry code says "there will be no cigarette advertising on radio or television, nor will such media be used for the promotion of sponsorships of sports or other popular events whether through the use of brand or corporate name or logo." Yet, in violation of the code, tobacco sponsored sports events regularly appear on TV, creating an association between fitness and a lethal product.

*"Freedom should be seen not as the freedom of the manufacturers to promote a known health hazard, but rather as a freedom and ability of society to implement public health measures."*

World Health Organization

These violations are just a few of those recorded. While the industry continues its public relations ploy, another estimated 30,000 Canadians presently alive will die from tobacco products before the end of 1986. Imagine the force which would be created from 30,000 deaths from the products of any other industry!

It's time for a change. No more "special status," no more interest free loans or commitments for billion dollar industry bailouts. No longer should Canadians tolerate the absurdity of a \$1.5 billion anti-smoking campaign while the industry spends \$100 million or more promoting cigarettes. Campaigning to reduce smoking without legislation to ban tobacco ads and regulate the industry is like bailing the boat while someone else drills holes in the bottom.

## HOW TO HELP

1 Write your Member of Parliament. Ask your MP to end the "hands off" approach to the industry. Write the Hon. Jake Epp, Minister of Health, and ask him for a comprehensive, legislative approach to the industry. Ask both to stop the advertising of a product which is the cause of an epidemic. Remind them that tobacco products cause a drain on our economy of \$7 billion annually and that tobacco taxes do not offset this loss. Write House of Commons, Ottawa K1A 0A6.

2 Join the Non-Smokers' Rights Association. The NSRA is much more than a clean air rights group. The NSRA is a hard-hitting national health organization deeply involved in preventive medical approaches to the entire tobacco issue. Major reports have identified "advocacy" not stop smoking campaigns, as the key to the tobacco issue. And medical advocacy is what we do best. Your membership cheque will bring our informative membership kit.

3 If you want a charitable receipt for income tax purposes, send a separate donation to the Smoking and Health Action Foundation. This donation will go to our research and public education activities. Registration #0459023-59-130.

Thanks to Quality Company for the printing and art

## ORGANIZATIONS OPPOSED TO TOBACCO ADS

• Canadian Medical Association • World Health Organization  
• Royal College of Physicians and Surgeons • Consumers' Association of Canada • Canadian Cancer Society • Canadian Lung Association • Canadian Nurses Association • Physicians for a Smoke-Free Canada

### To the NSRA, I want action on the tobacco issue:

- Here's my membership cheque for \$30 payable to the Non-Smokers' Rights Association,  \$7.00 for A Catalogue of Deception, and  an extra \$\_\_\_\_\_ for hard hitting action through "advocacy" (this payment not tax deductible)
- Here's a cheque for \$\_\_\_\_\_ payable to the Smoking and Health Action Foundation. Send me a tax receipt please
- Send me more information on  the NSRA and  tobacco advertising

Name: \_\_\_\_\_

Address: \_\_\_\_\_ Apt. \_\_\_\_\_

City: \_\_\_\_\_ Prov: \_\_\_\_\_ Code: \_\_\_\_\_

Mail to: \_\_\_\_\_

**NON-SMOKERS' RIGHTS ASSOCIATION**

Suite 306, 344 Bloor Street West, Toronto, Ontario M5S 1W9  
Gordis Mihnev, Executive Director

Dawn Stinson, Staff Counsel

# The insurance crisis

**T**he crisis struck municipalities, companies and clubs across the nation last week. In Ottawa the Canadian Ski Association declared that it might pull its national team of the World Cup circuit because it could not obtain liability insurance—at any price. Two days later a spokesman for the Ottawa-based St. John Ambulance service said that the 14,200 first-aid volunteers were working without liability insurance coverage because the organization could not afford to pay the \$300,000 premium up front. Last year's \$11,000 in Saint John, N.B., the nonprofit Cherry Brook Zoo ended a 13-day shutdown when the diversions finally found an insurance company willing to provide liability coverage. To pay the \$8,000 premium—up 1,483 per cent from last year's \$600—zoo manager Eric Wayne organized a staff Zoo chairman Joseph Coupland told Maclean's: "We were shocked to death. We did not realize the situation was that bad." As a result of groups unwilling to bid liability insurance—and more money for lost coverage—the political outcry mounted.

The difficulty in obtaining affordable insurance was felt across the country. In Ottawa 18 Liberal MPs, including House Leader Herb Gray, demanded an inquiry under the Commons Investigation Act into what they called a "conspiracy" among companies selling liability insurance. As well, Toronto Conservative MP Donald Blackford, the chairman of the Commons finance committee, requested immediate action. "Our way of life is threatened," he declared. Faced with those demands, Minister of State for Finance Barbara McDougall said that Ottawa will work with the provinces to solve the problem.

Still, property and casualty insurers who provide liability insurance say that they are a hard-pressed at their clients' expense. The industry appears to be in chaos as it struggles to cope with a series of critical changes. Industry experts say that the companies are los-



**Rolling** (right) **Gordon Gagné**, huge increases, soaring losses and the psychology of entitlement

ing money on liability insurance because the number of claims—and the size of court-ordered awards—has increased dramatically. Even more severe losses for the insurance of governments has not covered mounting claim losses, they say. Insurance companies are now raising rates to cover those losses—and possible future losses—because of the size of U.S. court awards and a small number of costly Canadian awards.

At the same time, international insurance companies such as Lloyd's of London, which dominate the policies of Canadian insurers, have imposed large increases. Under the reinsurance arrangement, international companies pick up a portion of the liability on large claims, such as the final \$25 million in a \$80 million plan—an increase far a percentage of the previous.

To determine the price of reinsurance,

lloyd's and others usually examine the record of claims in each insurance area far of North America. That means that the liability record of the United States—with its enormous claims and expensive settlements—is driving up reinsurance rates paid by Canadian companies. As well, many reinsurance firms are staggering from the financial impact of



troubling marketing for Transoceanic insurance brokers Johnson & Higgins with Fraser Ltd. "There are now only a handful of companies in Canada that will touch liability insurance,"

That average is the result of a discouraging financial record. In 1982 the Canadian liability insurance industry took in \$425 million in premiums and paid out \$384 million in claims and operating expenses for every dollar earned from premiums and from premium investment income. By 1984 premiums brought in \$487 million but claims were \$526 million. That year companies paid out \$1.16 for every dollar earned.

Still, Canadian insurance companies added to their own losses when they became locked in a vicious price war between 1979 and late 1984. When companies such as St. John's General Insurance Co. of Ottawa, which went bankrupt in 1981, began cutting liability premiums by up to 30 per cent in order to attract money for investment purposes, the entire industry followed suit. "Policies were sold on price and the degree of risk was ignored," said Edward Eaton, president of the Toronto-based Insurance Advisory Organisation. Added insurance broker Kase: "There was mismanagement on the part of the insurance companies."

When companies finally lowered their 1988 and insurance firms raised this year's rates to reflect costs, as they did in the late 1970s, the impact on their clients was staggering. If a policy premium fell by 30 per cent, it had to double to return to its previous level. As well, many insurance companies are now trying to make premium—instead of the traditional combination of premium and premium increase—pay for claims and expenses.

The sudden high rate increases also reflect insurers' concern that Canadian courts will match high American awards. As a result of that fear, some insurance companies now refer to Ontario as "California North" and they are a loud and persistent to support those claims. Last year the city of Brampton, Ont., was ordered to pay \$4.2 million to a youth who became a quadriplegic in '84 when he rode a dirt bike at a full-speed event. A blind curve in an abandoned quarry owned by the city had crashed into another bike. The court found the city guilty of negligence because it had not posted a warning sign. That award is now under appeal.

The Brampton judgment also worried liability experts because it underlined the changed attitudes toward risk in the past. Individuals had to prove negligence to win damages. Now, said Hildie Gagné, senior counsel for the Toronto-based Insurance Bureau of

Canada, that "traditional" theory of risk has ended and "the individual is being protected in spite of his own stupidity."

A recent decision by the Ontario Court of Appeal also set an unusual precedent. The case involved a 1982 car accident in southern Ontario between Edward Berlin and Harry Mitterreich. The court ruled that the Royal Insurance Co. of Canada must pay the full amount of the "underinsured motorists endorsement" to the injured passenger in Berlin's vehicle. That endorsement ensures that a policyholder is covered by his own insurance company—up to a limited amount—when the offending driver does not have sufficient insurance. The Royal policy stated that the company was responsible for the difference be-

tween liability limits by \$5 each to help cover the cost.

Many insurance experts say that the crisis will end next year—and prices will move downward. They point to figures for the first nine months of last year which showed a slight improvement over 1984. During that period insurers paid out \$1.98 for every dollar they earned. For one part, the federal government is considering amendments to the Federal Insurance Act that would force insurance companies to increase their reserves to cover claims losses and to change premium rates that are more in line with costs. These measures might help to deter predatory pricing and violent price fluctuations.

But the insurance crisis may also force many Canadians to re-examine



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the whole concept of responsibility. Faced with costly court awards, many institutions have tried to reprice their services—and endure damages. Ann Macleod, for one, the risk management director of Halifax's Victoria General Hospital, has restricted private doctors to "prevent patient harm from happening in the first place." The hardest adjustments, say many insurance executives, may involve changing social attitudes toward insurance. "It is the psychology of entitlement—if someone is injured, we're everyone in sight, even if it is your own damn fault," said Belbin. "Our society is waking up to the fact that this aberration in the civil justice field is costing on a lot of money."

**MARY INNIGAN** with **MICHAEL SALKIN** in Ottawa and **CHRIS WOOD** in Halifax



## A rising media and real estate star

The bulletins swept through the Washington head office of *U.S. News & World Report* with the speed of a late-breaking scoop. The newsmagazine's owner, Montreal-born real estate multimillionaire Mortimer Zuckerman, was flying in from his New York headquarters with his personal public relations agent for a hastily called editorial meeting. As more than 100 staff members jammed into an eighth-floor conference room last week, Zuckerman's announcement in fact came as no surprise after barely two months earlier Shelly Coffey Jr., 22, had managed to take over the helm of the *Dallas Times Herald*, the subscriber from a duds, Zuckerman and Coffey thanked each other heartily. But as one witness later noted, "If there had been a hypocrite meter in the room, it would have registered a perfect 10."

Indeed, rumors of the two men's deteriorating relationship surfaced last April—only three weeks after Coffey had moved away from *The Washington Post*—and never. Zuckerman would himself editor-in-chief, taking over the top spot on the magazine's B&T, the report that *U.S. News & World Report*, America's third-largest newsmagazine, lacked a leader. And his life would be rated only next attention at the U.S. press. But the incident marked yet another turbulent chapter in Zuckerman's stirring progress toward establishing himself as a major force in

American real estate and publishing.

For Zuckerman, 48, whose most frequent female companion is writer-advisor Gloria Steinem, 21, 100 as a celebrity has proved to be a double-edged sword. Six months ago Boston Properties Co.—of which he is chairman and half-owner—won out over 14 other bidders in a bidding of one of the most valuable parcels of prime real estate still left in New York City: the four-acre site of the nearly New York Coliseum on Columbus Circle. With a plan for two towers, it should become the nation's tallest residential tower, a 70-story behemoth who died, when Mortimer was 17, in graduated in economics and political science from McGraw University at 19 and took a master of business administration from Pennsylvania's Wharton School of Finance and law degrees from both McGill and Harvard. But despite his reliance on attorneys in the service of lawsuits that have swirled around his career, he concluded that "lawyers help only rich people get richer." Instead, joining the struggling bloodless Boston development firm of Cabot, Cabot and Forbes, Zuckerman rose to become its chief financial officer within three years.

There he demonstrated an unflinching defiance at deal-making that earned him his first \$10 million by 30. But he ended up using his fire to reverse the fall value of his shares in its developments. With the settlement,

of the spotlight as an increasingly involved editor. He has even taken over the page-one back page for a twice-monthly personal opinion column.

Zuckerman has chosen to make his mark in the two fields in which Colleagues have traditionally excelled abroad—but never both at the same time. As he told Macdonald, both real estate and publishing involve "an interesting mixture of commerce and art" and "the ability to live with risk." His involvement in each has been a team match. The building he now owns is a 10-story office tower that died, when Mortimer was 17, in graduated in economics and political science from McGraw University at 19 and took a master of business administration from Pennsylvania's Wharton School of Finance and law degrees from both McGill and Harvard. But despite his reliance on attorneys in the service of lawsuits that have swirled around his career, he concluded that "lawyers help only rich people get richer." Instead, joining the struggling bloodless Boston development firm of Cabot, Cabot and Forbes, Zuckerman rose to become its chief financial officer within three years.

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Zuckerman: U.S. News Headquarters: 'The ability to live with risk'

which included 12 California properties, he and partner Edward Lands started Boston Properties in 1970. By their first major project, a complex overlooking Boston Common, recently rose, what some observers say was an act of organized revenge. Said Robert Healy, who was executive editor of *The Boston Globe* at the time: "He took a hearing because he was an outsider—a Jewish boy from Montreal who had dared to take on the 'War

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ers bearing a conflict of interest at U.S. News, Zuckerman pointed out that even when Apple Computer Inc. and a major defense contractor pulled ads after critical articles, Zuckerman "didn't give me any grief about it. He really hasn't interfered."

But critics note that Zuckerman is following a different pattern at U.S. News, where some language employees predict that he is leading the magazine on a disastrous course. Due to Coffey's mistakes may have been to refuse the editorial suggestions and taped interviews that Zuckerman pushed his way. Now Zuckerman has pledged to transfer the bulk of his energies from real estate to U.S. News, especially until he finds a replacement editor. But as even his close friends point out, Zuckerman has little interest in news itself. What he enjoys is to be a voice in the debate over what he calls "public policy." Said Healy: "He wants to become a player."

When confronted with questions about the potential for conflict of interest, Zuckerman invokes the name of *Time* founder Henry Luce, who was an American power in his own right. But in trying to increase the magazine's circulation by 500,000 from its current 1.1 million, he has to take on both *Time* and *Newsweek* which far outstrip U.S. News in subscribers.

That task is delicate because, in trying to attract a younger readership, with among other actions, a generally acknowledged successful redesign—he cannot afford to alienate the magazine's loyal, longtime audience of older, affluent middle-Americans who liked the *sober* style that, among other journalists, was it the nickname *U.S. News*. To reassure them, Zuckerman's son of humor once excepted what he had bowed out of a real estate project with a eloquent telegram that worked. "The deal is off," said Zuckerman. "My life has exceeded even my own fantasies."

One of those fantasies remains to play a role in shaping opinion. "For over the last 15 years I was 100%," he said. "I have been a moderate." In 1986 he became publisher by rescuing the failing Boston-based Atlantic Monthly magazine. In the course of restoring The Atlantic—guarding advertising revenues and circulation to 446,000 from 360,000—Zuckerman has won high praise from editor William Whitworth, who calls him "a media owner." For obser-



Coffey: A new chapter

MARCI MCDONALD in Washington

## The bitterest harvest

For Canada's 1,400 sugar-beet farmers, 1985 was a disastrous year. Prices, which had peaked at 38 cents a pound for raw sugar in 1974, had cooled by the beginning of 1985 to five cents a pound, severely reducing the incomes of sugar-beet farmers who earn a percentage of the wholesale price of sugar refined from their beets. In February many growers in southern Alberta, who said that they needed to earn 18 cents a pound in order to break even, rejected an of-

fer from the Steinbach, Man.-based Canadian Sugar Beet Producers Association (CSBPA) plans to sell 300 growers and supporters to demonstrate in front of the Parliament Buildings on Jan. 27 to lobby for public support. Dalland Walter Boers, an Alberta sugar-beet farmer and the group's vice-president, "The politicians must stand up and say, 'We think the industry is viable' or tell us, 'We do not think it's viable, you're in your coffin and we'll bury you.'"



Thibodeau, threatened by a surplus of cheap imports, sugar-beet farmers are seeking support

fer of nine cents a pound from the Alberta Sugar Co., the province's only refiner, and refused to plant beets in protest. According to some farmers, others who did agree to plant received threatening phone calls from their neighbours, and during the spring planting season some of them even grazed on their tractors out of fear of attack. Last week, 30 growers in Alberta, Manitoba and Quebec responded to a request for contracts for the next planting season, and 28 have accepted seven cents a pound. As a result, most farmers are awaiting the recommendations contained in a year-long federal government study as possibly the only hope for saving the industry.

By the end of January, Charles Moyer, the minister of state in charge of the Canadian Wheat Board, is expected to present to cabinet his proposals for a national sugar policy. The

board, which represents three of Canada's four refiners, describes the plan as "protectionist" and he says that the tariffs could cost consumers as much as \$38 million to \$60 million per year. The refiners say that it would be cheaper to subside sugar-beet growers through the Federal Agriculture Stabilization Act, which is intended to smooth out price swings for farmers. From 1957 to 1982 Ottawa paid \$88 million to sugar-beet growers under the act to compensate them for some of their losses. Thompson estimates that it would cost Ottawa up to \$80 million to enable growers to make money this year.

But many growers say that they are dissatisfied with subsidies resolved under the act. Declared Bill Shuman, president of the CSBPA: "We're still waiting for payments for the 1980 crop year." He added, "We need a sugar policy before we negotiate the 1985 contract with the sugar companies."

In setting that policy, Ottawa faces some political obstacles. A victory would be embarrassing at a time when it is pressuring its trading partners to lower barriers to trade.

For one part, the Quebec government must decide the fate of the provincially owned Raffinerie du Suroit du Québec in Ste-Hélène near Montreal, the only refinery for Quebec's 600 sugar-beet growers. In the year ended March 31, 1985, the refinery lost \$11.3 million, bringing its total debt to \$30.6 million. Says one top Quebec government official: "It's crazy for Quebec to be growing its own sugar."

Meanwhile, growers across the country are seriously awaiting the release of Moyer's report, and the government's reaction to it. Thibodeau, for one, wants to know if he should plant wheat this year or his favorite Caghetti in southern Alberta, as he did last year. Thibodeau has \$158,000 worth of specialized sugar-beet machinery and, borrowing a metaphor from life on the farm, "We still like to grow beets," he said, "but it's a far return." For the Mulroney government, the choice is clear—different.

—CHRISTOPHER BONVILLE is a colleague with  
SHANE WALLACE in Montreal

An advertising and information supplement  
to the January 27, 1986 issue of Maclean's

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## 'How can I manage my money more profitably?'

Many Canadians are asking themselves this question these days. Inflation which reached over 12 percent, interest rates which once touched 20 percent and now are 11 percent or less and income taxes which erode savings are all vital factors leading us to wonder how best to stay ahead.

We in the investment fund business are convinced we have a viable and profitable way to solve these frustrations.

For generations Canadians have saved money and entrusted it to financial institutions in return for interest. It's a process that each of us learned at an early age. But in recent time, life has become more complex. Today, you really need a strategy to capitalize on interest rate swings, tax breaks and even inflation.

Over the next several pages we have set out information which will help develop such a strategy. I sincerely hope that you will find our logic to be thought-provoking and compelling.

I am proud to represent the many managers

and distributors who are members of the Institute. Each gives selflessly to support industry initiatives and is dedicated to excellence in investment management and advice. Each is committed to serving the interests of investors.

Members advertising on the following pages have contributed greatly to the preparation of this supplement. Without their participation this information would not have been available to you and I encourage you to seek further information from them.

Investment is a serious undertaking. Investment is highly personal.

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If we can help in any way, please write or telephone the Institute at the address shown above.

Sincerely,

Keith A. Douglas  
President



# Investment funds—the profitable investment strategy for millions of Canadians

Your money. You work hard for it and, if you're lucky, or smart, or both, you've got a little left over after expenses to put aside for the future.

But just as you work hard for your money, your money should do the same for you! It should earn income, take advantage of tax preferences, and accumulate at a rate that will help ensure a financially secure future. That's why more Canadians are looking to investment funds for long-term, prudent investment results.

Perhaps you're already among the one million Canadians who have invested some \$9 billion in this growth industry. If that's the case, then you'll know what we're talking about.

But you may be like many others—preferring the familiar savings formula of financial accumulation to that of investing.

Some people believe that 'saving' and 'investing' are the same thing. But there is a great deal of difference between the two.

## The Savings/Investment Difference

In fact, financial experts draw a strong line between them. Saving, they say, is accumulating cash to meet short-term objectives such as a holiday, or a major purchase. For the long haul, however, investing pays the greatest dividends.

For example, if you put your money into a savings account, your rate of interest will range from three to 6.5 percent. This year's Canada Savings Bonds promise you 8.5 percent, while bank term deposits yield approximately nine percent. This kind of income interest is taxed like salary. And your capital while guaranteed, does not grow in value.

These savings-type vehicles are excellent for your short-term needs—cash is accumulated and you earn interest along the way. But if you're building future financial security, it will take a long time to improve the value of assets using this method. The average Canadian taxpayer will keep only 63 cents of every dollar of interest and is only promised to get his or her money back.

A long-term investment, such as an investment fund, offers you many more opportunities. Because you own the asset, as an income ownership, you can enjoy the benefit of its increase in value. As well, most funds provide income in the form of dividends. Instead of keeping only 63 cents after tax, as you would with interest, you get to keep all of your capital gains and 94 cents of every dollar of dividend income. Owning assets such as investment funds is much more tax efficient than loaning your money to the government or a financial institution.

But most Canadians are hesitant about investing. Surveys reveal that 67 percent say they'd be willing to put their disposable income into investments—but are discouraged because of lack of knowledge, or even knowing how to start a strategic financial plan. In fact, only three percent of Canadians profess to have any knowledge about investing in general, and the stock market in particular.

That's where this special supplement comes in. It's designed to provide general information about investing that will break that knowledge barrier.

## Components of your Financial Plan

Ideally, all financial plans contain an element of short-term savings, a cash reserve, protection and long-term growth assets. Your particular financial plan should be a custom-tailored blend of these components which suits your age, objectives and temperament.

Many people tend to overlook the long-term investment component of a financial plan. But just as savings accounts and term deposits are important to the savings and cash reserve components, assets that can grow in value and that provide tax efficient income are vital in fulfilling long-term objectives.

## A Balanced Approach

Most investors follow a mixed investment strategy. They maintain a portion of their investments in several

different kinds of growth assets—stocks, real estate, collectibles and so on.

Investment funds can greatly simplify this process of asset mixing. There is a tremendous variety of funds—growth funds, income funds, foreign funds, real estate funds, mortgage funds, dividend income funds, etc. As well, each fund has a unique risk factor that permits you to choose a single fund or a combination of funds to suit your overall needs and plans.

What exactly is an investment fund? It's an investment enterprise in which many investors pool their money together. The fund employs an investment manager to invest that money in a portfolio of securities and the investors share proportionately in the income, gains and expenses of the enterprise. In this way each investor owns a piece of a large portfolio of securities thereby reducing risk through prudent diversification.

Investment funds are perhaps the only way in which many Canadians could own such a wide variety of securities.

Here is a short list of other advantages offered by investment funds:

## Liquidity

You can ask a fund to 'redeem' your holding at any time. Most funds are valued every day and your order would be processed the day it was received. By law, your cheque must be sent within seven days.

## Convenience

Your investment in a fund is reported to you on one contract, dividends are reported on one contract, you receive only one tax reporting slip per fund, most funds are eligible for RRSPs, you may purchase funds on a monthly or other periodic basis or you may draw a monthly income from a fund investment.

## Tax-Efficiency

Over the long term, taxation of investment income is a very important factor. The typical Canadian taxpayer pays 37 cents of every dollar of income in taxes—that includes interest income. But dividend income attracts only 6 cents in taxes and capital gains are tax free, accumulating up to \$500,000. If you're paying too much in tax, check out investment funds and you could be much further ahead.

## Expert Management

Buying an investment fund is like hiring your own investment counselor. Each fund employs a full-time, expert portfolio manager who constantly supervises the

investment program of the fund. No need to worry what or when to buy or sell. It's all done by someone who's trained and qualified to do the work for you.

## Registered Retirement Savings Plans

RRSPs have grown to be one of the most popular ways for people to defer taxes and at the same time save for retirement. The tax break is so attractive that many people now find their RRSPs are of significant size.

We believe that an RRSP could be an individual's largest financial asset. Because the objective of saving for retirement is a long-term one, the objective of the underlying investment in an RRSP should also be long term.

This means that short-term vehicles like savings accounts or term deposits are best suited to RRSPs of people nearing retirement. For others the strategy should be to accumulate the largest amount possible. That strategy is best fulfilled with assets which have growth potential and can also hedge the vagaries of inflation over time.

## Keep RRSP Investments Flexible

Treat your RRSP like the important investment it is. Making a snap decision in the last few days before the RRSP contribution deadline is not recommended. If haste is unavoidable, make the investment choice on the basis of its flexibility so you can change it later.

Remember too, that you're not locked into a particular RRSP forever. You may have to wait until the investment matures but then the RRSP is easily changed to another corner.

It has been suggested by some people that you should only use interest bearing securities in an RRSP. We do not agree. You only have to remember that if you're a 40 percent taxpayer your \$3,000 RRSP contribution will yield a \$1,200 tax refund. Therefore the \$3,000 balance in your RRSP only costs you \$1,800 net. The difference over time will more than pay for taxes at maturity, so your investment choice need not hinge on the taxability of the RRSP income. It can be a choice made free of any consideration except the best long term rate of return after inflation.

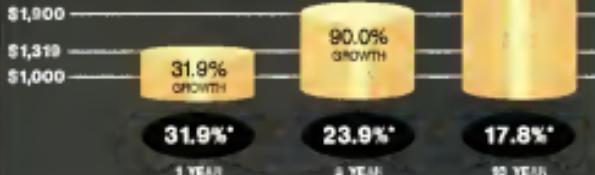
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is managed by professional money managers with years of experience in helping other people's money grow. Register today and join the thousands of Canadians who have chosen to put their money in the care of these skilled money managers.

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DEPARTMENT OF INVESTMENT: RoyFund Corp.-Bantec Fund, Suite 2000, 1600 Yonge Street, Royal Trust Plaza, Toronto, Ontario M4S 1J2

This advertisement is not a binding offering of the Shares of RoyFund Equity Ltd. and Units of RoyFund Bond Fund. The offering to make by prospectus only, copies of which may be obtained from RoyFund Investments Ltd., exclusive distributor of these securities.



## Keep your money growing and your taxes down

Starting an RRSP investment in 1980 with a \$1,000 initial investment and a 10% annual rate of return, you could accumulate a balance of \$5,500 by 1990. This is a 550% increase over 10 years. If you invested the same amount in a registered RRSP, you could accumulate \$5,500 by 1990. This is a 500% increase over 10 years. An RRSP is a tax-free investment.

### Exercise mental muscle in your financial planning

It may take some mental muscle, in the form of financial planning, but with the advice of financial professionals, it can pay off kinds of dividends towards ensuring your future security.

Let's look at one area with which you're already familiar and comfortable—your Registered Retirement Savings Plan (RRSP).

RRSPs were introduced to encourage Canadians to provide for their future by allowing them to save before taxes and permit deferral of tax on income and capital gains generated by investments until the plan assets were withdrawn. In other words, the concept was structured so that you could take advantage of before-tax earnings as opposed to after-tax income. It enabled you to buy more, lower your taxable earnings, and be taxed only on the lower figure.

### Maximum RRSP contributions by other than self-employed individuals

YEAR	MAXIMUM CONTRIBUTION	% OF EARNINGS LIMIT	MAXIMUM EARNINGS
1985	\$500	20%	\$2,500
1986	\$500	18%	\$2,750
1987	\$500	18%	\$2,750
1988	\$1,500	18%	\$8,250
1989	\$1,500	18%	\$7,500
1990	\$5,500	18%	\$30,250

© 1986 Canadian Royal Trust Company, Toronto, Ontario M4S 1J2

**HOW \$1.00 GROWS**  
Compounded Annually

Year	6%	8%	10%	12%	16%	20%
	\$	\$	\$	\$	\$	\$
2	1 1236	1 1664	1 2100	1 2544	1 3456	1 4400
3	1 1910	1 2597	1 3310	1 4049	1 5609	1 7280
5	1 3382	1 4693	1 6105	1 7623	2 1003	2 4883
10	1 7908	2 1589	2 5937	3 1058	4 4114	6 1917
20	3 2071	4 6610	6 7275	9 6463	19 460	38 337
30	5 7435	10 0627	17 4494	29 9599	85 8499	237 3763
35	7 6860	14 7853	28 1024	52 7996	180 3141	590 6682

This table illustrates the expected growth of an investment at various rates of return where interest and/or gains are reinvested each year.

**What the government gaveth—it also took away. Now it's giving more by taking less**

With Mr. Wilson's budget, changes have been made to the amounts an individual can deduct from his gross salary for the next taxation year.

In 1985, individuals were allowed to contribute \$5,500 or 20 percent of their income to RRSPs. Some \$37,500 in base salary or earnings were needed to maximize their contribution.

Within the next year, however, the picture will change and will continue to do so until 1990, subject to budget approval. See the chart on the preceding page to see how your maximum contribution to an RRSP may change dramatically with the government's proposed new rulings.

**Will that be a Rolls-Royce or an economy model, sir?**

Many people question why they should "invest" rather than save for whatever financial objectives they have in mind. But it's like buying a car—by "saving" and amassing the interest paid to you on those savings, you might be able to afford a mid-size car of average performance and looks.

But by "investing," the chances are you'd be able to afford the deluxe, high-powered model you really want. It's all a question of how you go about it—and how you plan to get the money to realize your dream.

Canadians looking to RRSPs as a way of accumulating funds for their future security are faced with a virtual supermarket of options.

**They're legal, they're moral, and they'll only make you fat (financially) if you plan your diet wisely**

The major reason for investing is to benefit from growth in your investment. It's rare to take advantage of tax savings, but you should never accept only short-term tax savings as a substitute for the future growth of a good long-term investment.

If you pay income taxes at the rate of 35 percent, you must earn \$1,538 for every \$1,000 that you will have left over after income taxes. Using an RRSP, the entire \$1,538 could be invested and, in addition, you would be entitled to a tax refund of \$538.

In addition to this significant benefit, the income and growth generated by the investments in an RRSP are not taxed in the plan.

This means, of course, that all income and all capital gains can be reinvested. This is different from



**900,000 successful investors have some good advice for RRSP owners.**

You can save money with an RRSP. Or you can invest money with an RRSP.

Saving is fine. It's very safe.

But if you want real growth, and real safety, take a tip from successful investors.

Invest in the Bolton Tremblay Canada Cumulative Fund.

**You'll earn more money.**

Our Canada Cumulative Fund is not an ordinary RRSP investment. It's a mutual fund. A type of investment which is quickly becoming one of the most popular in the country.

And with good reason.

Mutual funds such as the Canada Cumulative Fund invest in the stock market, where long-term performance has historically exceeded the return on guaranteed interest plans.

In fact, over the past ten years, the stock market has delivered close to a 30% higher return than any savings account type RRSP.

Still, we don't invest in just any stock.

We invest in only proven performers. And not just one or two, but many. We do that for safety.

**You'll sleep nights.**

As any wise investor will tell you, diversification is the key to safety. It protects you against a sharp decline in any one area of the market.

We use that key and we

thank you should too. It's easy.

For instance, you can keep the RRSP you have now, and diversify by opening a Canada Cumulative Fund RRSP for additional safety and growth.

**Over \$9 billion already invested.**

Investing in mutual funds is not a new idea.

It's simply a smart idea that's becoming more and more popular. In fact, mutual fund investments have more than doubled over the past five years.

Today, 900,000 investors hold almost \$9 billion in mutual funds.

And Bolton Tremblay is one of Canada's leading mutual fund managers.

We've been investing for people like yourself for almost 40 years. And our funds are sold by more than 2,000 independent financial professionals nationwide.

**It's easy to do.**

Take the advice of 900,000 successful investors.

Open an RRSP with the Bolton Tremblay Canada Cumulative Fund today.

It's not hard. Simply call your investment advisor and ask for the complete story.

Or send us this coupon and we'll give you all the help you need.

Don't wait. Because the sooner you do it, the sooner you'll have a better RRSP.

YES, I'd like to take the advice of successful investors.

Please rush me the full story on the Canada Cumulative Fund.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Prov. \_\_\_\_\_

Postal Code \_\_\_\_\_

Tel. \_\_\_\_\_

Return to Bolton Tremblay Funds Inc., 70 University Avenue, Suite 2050,

P.O. Box E, Toronto, Ontario M5J 2M4 (416) 698 9963 3308

**Bolton Tremblay Funds Inc.**

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# When John explained what a big difference a Self-Directed RRSP would make to our savings, we switched.

Only a Self-Directed RRSP allows you to direct how your savings are invested for extra profit. For that extra margin of comfort that your future demands. Today, more and more people are realizing the big difference in growth between a Self-Directed and a regular (pooled) RRSP really adds up over time. Self-Directed RRSPs still let you make that big six saving. For example, an individual earning \$40,000 per year and making the maximum allowable \$5,500 contribution will reduce his income tax by over \$2,100. But you must complete your 1985 RRSP contribution by February 28 to get this saving on your 1985 taxes.

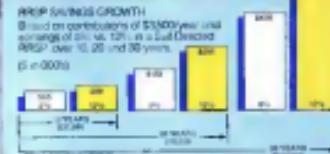
At McLeod Young Weir, our Investment Executives are ready to explain the big difference to you. Call one of our 40 offices coast-to-coast or call toll-free 1-800-387-1834.



Investment Executive - John L. Young  
of Toronto

## McLEOD YOUNG WEIR

Trusted financial advice since 1883.  
Helping your money work for you.



investing outside an RRSP where income tax must be paid each year on investment income and capital gains, leaving only the amounts remaining after tax to be reinvested.

Using the amounts mentioned before, we can compare the results of investing before taxes through an RRSP with investing after taxes. In the case of an after-tax investment, we might assume 12 percent rate of return on the investment. But remember that, with taxes at 35 percent, the real rate of return outside the RRSP is reduced by about one-third, and becomes a net return of a little less than eight percent.

With many of the RRSPs bought at the majority of Canada's financial institutions, the funds are locked in for a certain period of time at a fixed interest rate. When interest rates are extremely high, this may be to an investor's advantage. But, generally speaking, the more moveable, or liquid, an investment is, the more you can move it around to take advantage of the best rates of return at any given time.

The ability to move RRSP funds at when is not a luxury found in most RRSP vehicles. But investment fund RRSPs do offer this option for they allow shareholders to sell their shares back to the fund (it's called redeeming them) on demand. Most funds accept redemptions daily, some weekly and others monthly. Shareholders can also transfer between funds of the same group at little or no charge.

You can see how owning investment funds in an RRSP can make your financial plan not only very flexible but also very liquid.

Investment funds have, over time, demonstrated an ability to generate better-than-average rates of return. We all should be conscious of comparative rates of return at all times and be prepared to change investments in an RRSP to ensure results are maximized.

But how to do this without your precious nest egg burning out screeched and not surviving up, as you expected?

The secret lies in choosing an organization that ensures this doesn't happen.

### You don't keep a dog and bark yourself

When you want expert advice you go to the 'professionals', whether that's a lawyer, a doctor, a real estate broker. In other words, someone who knows more about his specialty than you do. It's the same with investments. But in the case of managing your RRSP mutual fund investment, it's a case of one-stop shopping.

Investment funds greatly simplify an investment program because they are completely managed by a full-time, qualified investment counsellor.

Your advisor selects investments to be bought or sold, relieving you of making day-to-day decisions about a portfolio. Your investment fund manager also provides full reporting including confirmation of every transaction.

tax receipts, income additions, tax reporting slips on withdrawal, value of account and periodic reports. It is a complete service that keeps RRSP owners fully informed and simplifies income tax reporting.

It's that easy, that simple, that efficient.

But it's also something much, much more. Your RRSP, invested in mutual funds, is going to grow at a more significant rate than with similar vehicles offered elsewhere.

### Your RRSP checklist

1 For my financial security, an RRSP is

- Very important.
- An important supplement.
- Incidental.

2 I am comfortable with:

- High risk investments.
- Moderate risk investments.
- Low risk investments.
- Risk free investments.

3 Years to retirement:

- Less than 10 years.
- 10 to 20 years.
- More than 20 years.

4 My RRSP investments should grow at least at the same rate as inflation but I would like to achieve:

- Over 10% more.
- 5% - 10% more.
- Under 5% more.

5 I think I can achieve that by using:

- Guaranteed deposits.
- Investment funds.
- Annuities.
- Self-directed investments.

6 My investment objective for my RRSP is:

- Guaranteed interest.
- Growth and income.
- Long term growth.
- Some combination of the above.





## John Templeton, 'the Dean of mutual fund managers,' talks about investment strategy.

A \$10,000 investment in Templeton Growth Fund in November 1964, grew in value to \$895,956 by October 31, 1985.

Mr. Templeton, what method does your organization use to achieve such extraordinary results?

"Superior performance cannot be delivered by any fixed method. You have to be flexible. When any method is adopted by too many analysts, a win is longer be profitable because others affected by that method will already be too high in price."

What do you employ same basic principles?

"One principle is to diversify because no one has the knowledge to predict the future with any certainty. Another is that when you buy an asset for a fraction of its value, it is less likely to decline in price. But in longer terms,



you have to be patient because it takes prices for other investors to appreciate the value of the bargains we've bought."

How do you find stocks that are bargains?

"We examine a large number of stocks throughout the world, and we find some that are selling at half or one-quarter of what we think they are worth. These are stocks that are not popular with other investors."

How do you know when to buy or sell a stock?

"We buy a stock when we think it is poorly undervalued. We hold it until other investors recognize its value and then we sell it to those people who buy whatever is a bargain at that time."

What about market trends?

"I've never known what the market would do next week, next month or next year... and I've never known anyone who could correctly predict what the stock market will do in a month or a year 80% of the time. Our average holding is five years because it often takes that long for the public to recognize the values which we believe are there when we make the purchase. As I said before, we buy when others are selling and we sell when others are apparently buying."

To learn more about Templeton Growth Fund for your IRA or SP, contact your mutual fund dealer or:

Templeton Management Limited  
44 Victoria Street, Suite 1500, Toronto, Ontario M5G 1Y2

Templeton Growth Fund     Templeton Canadian Fund

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ Province \_\_\_\_\_  
Telephone (Area) \_\_\_\_\_ (Area) \_\_\_\_\_



**Templeton**  
...the name says it all.



## Sing a Song of Sixpence

*The king was in his counting-house,  
Counting out his money,  
The queen was in the parlour,  
Eating bread and honey.\**

*\*From the old English nursery rhyme.*

Sav? Invest? Do one, do the other, do both?

Most Canadians prefer to see, perhaps a characteristic inherited from ancestors who felt far more comfortable tangibly seeing and counting their financial assets

In yesteryears, people hoarded their money everywhere from a household strongbox, to their mattresses.

For today's Canadian, the king's 'counting house' has translated itself into 'saving'—making Canadians among the most 'savings-conscious' people anywhere.

In fact, we are among the top savers in the world—hiving approximately one-quarter of a trillion dollars stashed away in our personal forms of 'counting house.'

And there's nothing wrong with that! But in any financial plan there's room, in fact there's a need, for both saving and investing. And the functions of each shouldn't be confused with the other, because they're not synonymous. Plainly put, saving is loaning, investing is earning.

Basically, saving is simply not spending all of your disposable income. And if you put that money in typical savings vehicles such as savings accounts, guaranteed investment certificates (GICs) or term deposits or Canada Savings Bonds, what you're actually doing is lending your money to be used by the institution or medium you've put it into.

Therefore saving can be characterized as being money put aside for a specific and, usually, short-term purpose, its main objective being the amount saved and the security of the money in the saving period.

Investing, however, involves putting your money into the ownership of assets.

Obviously, there is a need for both. But let's look a little more closely at the characteristics of each—and where they fit into your financial plan.

### Saving: providing for the immediate, the unexpected, the short-term

Savings are an absolute necessity, providing a financial cushion that gives you independence as a consumer and security in emergencies.

Once you've looked after all your day-to-day expenses, any money you have left over will probably be put aside for an immediate use such as a holiday or a necessary purchase.

And, as soon as you decide not to spend some of that disposable income, you become a saver.

Thus, if you use savings instruments you....

- have a specific use for the amount saved
- have a short-term goal
- loan your money for an agreed rate of interest
- concentrate on the amount you set aside
- accept as is given the rates of return offered

And it's probably only when you've satisfied that present and near-future needs are met by the money you've saved that you'll begin to look at your future needs. In all likelihood you'll ask yourself such questions as: 'What am I going to live on in retirement?' 'What about inflation?' 'How can I be less dependent on salary?'

In order to answer such basic questions and arrive at viable answers and solutions, you would be wise to look at investments as a long-term strategy to ensure future financial security. To do this, let's define exactly what investing is—just as we did with savings.



**Investments:  
looking ahead to  
the long-haul**

**"Trimark's professional money management doubled our RRSP investment in just 4 years."**

Susan & Robert Barber, Toronto\*

"Susan and I are serious about fitness. Our own and that of our RRSP investment. Our broker recommended Trimark on the basis of the principle which reward. Since inception in September 1981, Trimark has doubled our initial investment. And their track record continues to be impressive."

"Both of us work full-time and we're active in the community, so one leisure time is important to us. We feel that investing is also a full-time business, best left to professional money managers."

And Trimark's "keep-up-and-always-competitive..."

"That's the kind of RRSP performance we appreciate."

"For our personal fitness, it's jogging and for our RRSP it's Trimark. Call your financial dealer, financial planner or broker to compare the Trimark Canadian Fund with similar funds. You'll agree it's very fit!"

**Trimark**  
INVESTMENT MANAGEMENT INC.

One First Canadian Place,  
Suite 905, P.O. Box 389,  
Toronto, Ontario M5X 1A6  
Telephone: (416) 462-5793

\*Not an insurance. Small contributions. Returns  
not guaranteed. Past performance is not a guarantee of future results.

Investment is the employment of money for profit and constitutes anything that will appreciate in value. Antiques, paintings, even stamp collections, are considered "investments." But the most typical or common investment vehicles are stocks, bonds, investment funds, real estate and commodities.

Because the purpose of investing is the accumulation of money over a longer period of time, the rate of return and what the investment yields (capital appreciation, dividends, interest, and so on) are uppermost in an investor's mind.

**You don't have to be a  
Rockefeller to invest**

If you think you've got to have Getty or Rockefeller as a surname before you can become an investor you're wrong.

A recent survey conducted by the Toronto Stock Exchange found that of the almost 10 percent of Canadians that do invest, about five percent of them have an annual income of less than \$15,000 and 61 percent earn less than \$35,000.

As the majority of Canadians fit into either of these two categories, there's little reason for anyone not to give investing thoughtful and sincere consideration.

You've already read about what investment funds are and do. So let's look at a profile of someone who saves their money, and compare it to someone who invests the same amount—say, \$20,000.

Saver A deposits \$20,000 with ABC Bank in a term deposit for one year at 1.5 percent. Over the year, Saver A will earn \$300 and receive his full \$20,000 of principal back when the deposit matures.

Investor B buys 1,000 shares of ABC Bank at \$20 each. During the year, he receives a dividend totaling \$1,200 and at the end of the year, the shares of ABC Bank are worth \$22. In this case, Investor B's return would consist of \$2-per-share growth (or capital appreciation) on 1,000 shares and \$1,200 in dividends for a total

of \$3,200. Investor B is already \$200 ahead of Saver A and that's before applying preferred tax treatment of dividends and gains.

Unfortunately, the value of ABC Bank shares (or any other shares) often vary and this fluctuation cannot be determined in advance, nevertheless an investor (contrary to a saver) believes that owning a share in a bank will, in the long run, prove more profitable than "lending" the money to the bank for an agreed rate of interest.

Thus, if you invest, you...

- build assets for your general welfare,
- have a long-term goal,
- own assets you can expect will grow in value,
- are totally concerned with maximizing rate of return,
- are actively involved in the ongoing management of your assets

**That's you in the driver's seat**

Once you've become an investor, you'll probably find that the confidence that comes from financial security achieved through investing is very satisfying.

And when you're exploring the various avenues to financial independence open to you remember not to choose between savings and investments—participate in both.

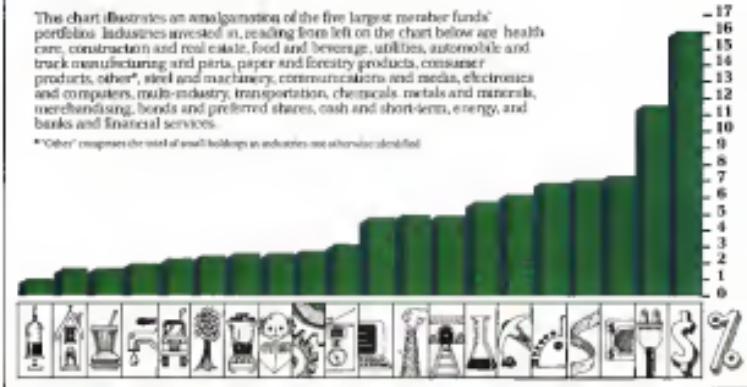
Fulfill all your short-term, specific goals through savings deposits so that you can keep borrowing to a minimum and still enjoy the things you want.

But for a quality of life in the future that leaves you independent of financial obligations and economic reversals, invest. It is a recognized and proven way of controlling your own future.

**Portfolio diversification of investment funds**

The chart illustrates an amalgamation of the five largest mutual funds' portfolios. Industries invested in, reading from left on the chart below are: health care, construction and real estate, food and beverage, utilities, automobile and truck manufacturing and parts, paper and forestry products, consumer products, other\*, steel and machinery, communications and media, electronics and computers, multi-industry, transportation, chemicals, metals and minerals, merchandising, bonds and preferred shares, cash and short-term, energy, and banks and financial services.

\*"Other" comprises the total of small holdings in industries not otherwise identified.



# What kind of investor are you?

Do you know your investor Type? Are you a Conservative? An Energetic Moderate? Or a hustler in the Fast Lane? To find out, just fill out the following questionnaire. Every answer earns you points—simply tally your points, listed at the end of the quiz. You'll get a concise summary of your Investor Type and a useful clue to the kind of investment strategy you are most comfortable with. There are no right or wrong answers. If you're comfortable taking risks—that's a healthy and necessary attitude. A moderate strategy can either succeed or fail, while some conservative investors wind up very rich, many years later.

1) The investment that made you so optimistic in August has suffered with the onset of winter—a 20 percent decline in three months. All other factors remaining equal would you:

- a) Do nothing for six more months and wait for a rebound?
- b) Sell and cut your losses?
- c) Buy more and buy fast, because this is a great chance to reap a windfall next year when the

investment meets your original optimistic prediction?

2) You've gotten lucky with a 15 percent rise in your seven-year-old equity fund investment. Do you:

- a) Sell now?
- b) Wait for it to double before you sell?
- c) Clash aboard the bandwagon—buy more?

3) Would you rather have:

- a) Invested in an aggressive growth fund that turned out not to have increased in value in six months?
- b) Put your money in a GIC, only to have seen the aggressive growth fund you had considered investing in go on to make an 80 percent gain in five months?

4) What would give you the most personal satisfaction?

- a) Selling your home at a \$70,000 profit after a year's occupancy?
- b) You inherit \$70,000 from a rich, though distant, relative?
- c) Your \$70,000 was the result of a \$3,000 gamble in the commodities markets?

5) You inherit a good, mortgage-free home. Renovated, it will rent for \$2,000 per month (after a \$20,000 expenditure). As it is, it will bring in about \$1,000 a month from a tenant. Would you:

- a) Sell?
- b) Rent with no further renovation?
- c) Give it a first-rate renovation and appeal to upper-crust tenants or co-op renters?

6) Your apartment building is being converted to condominiums. You can move, selling the option for \$20,000, or buy a unit for \$75,000, knowing the market value is about \$140,000. But if you buy, you'll have to borrow a down payment and you don't know how fast you will be able to sell for a top-dollar price: should you want to move. Do you:

- a) Move and take the \$20,000?
- b) Buy, planning to live in it for several years?
- c) Buy and sell for a quick profit?

7) The small business where you've been employed for five years is raising capital by selling stock to its employees. The business is thriving; it's a good long-term investment but no dividends will be paid for perhaps three years. How much money would you invest?

- a) Zero?
- b) One month's salary?
- c) Three month's salary?
- d) Six month's salary?

8) You've got an inside tip from someone in the know on a mineral resource exploration company that may be bought out by a very profitable much larger corporation. The probability of the deal coming off is 50-50. But if it fails, the likelihood of it appreciating is small. Also, you don't know much about mineral exploration or the potential buyer. How much stock would you buy in the exploration company?

- a) Zero?
- b) \$2,500?
- c) \$5,000?
- d) \$10,000?

9) As a contestant on a televised game show, choose your best bet:

- a) \$500 cash right now?
- b) A 50-50 chance of winning \$5,000?
- c) A 20 percent chance of winning \$10,000?

10) Imagine this situation: inflation makes a comeback towards the end of Prime Minister Mulroney's term of office. International experts doubt that his successor will have the ability to tackle the problem and they forecast a return to double-digit inflation throughout the western world. Both the Canadian and U.S. deficits are still large, though moderately improved. Will you:

- a) Invest in only long-term funds?
- b) Buy into a mix of money-market and real estate funds?
- c) Buy gold?
- d) Buy Canada Savings Bonds and hope for the best?

## TALLY SHEET

Here are the points earned by each response

1 (a) 2, (b) 1, (c) 4	Your points _____
2 (a) 1, (b) 3, (c) 4	Your points _____
3 (a) 3, (b) 1	Your points _____
4 (a) 2, (b) 1, (c) 4	Your points _____
5 (a) 1, (b) 2, (c) 3	Your points _____
6 (a) 0, (b) 3, (c) 2	Your points _____
7 (a) 0, (b) 1, (c) 2, (d) 3	Your points _____
8 (a) 0, (b) 1, (c) 3, (d) 4	Your points _____
9 (a) 0, (b) 3, (c) 4	Your points _____
10 (a) 1, (b) 3, (c) 4, (d) 0	Your points _____

Your Total \_\_\_\_\_

## Your Investment Type

1 to 13 points  
Conservative

You don't like risks. You might, however, consider taking investment study courses that would give you the confidence to take prudent risks in a carefully balanced strategy.

13 to 25 points  
Energetic Moderate

You calculate your risks and balance your portfolio in an attempt to realize substantial growth in a few years time.

25 to 36 points  
Fast Lane

The western world wouldn't be where it is today without people like you—but neither would finance companies and collection agencies. Even exceptionally lucky gamblers sometimes lose in a big way, so make the best bets possible by making a thorough study of the opportunities and getting the best investment counsel available.

# OWN A PIECE OF THE BLOCK!

Yes, I'm interested in investing in income-producing properties. Send me more information.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

PROV. \_\_\_\_\_

PHONE (area code) \_\_\_\_\_

HOME PHONE \_\_\_\_\_

BUS. PHONE \_\_\_\_\_

PAGEBROOK REALTY FUND  
1090 Bay Street, Suite 290  
Toronto, Ontario M5S 2B3



With the Pagebrook Realty Fund, you don't have to buy the entire block, just a piece of it. An investment of as little as \$10,000 can participate in the ownership of prime, income-producing Canadian real estate, selected and managed by experts.

The Pagebrook Realty Funds units are eligible for both tax-exempt savings (RRSPs, RRIFs and DPSPs) as well as taxable investments. If you're looking into it, if you want more information on how to participate phone (416) 964-9979 collect or fill in the coupon.



This advertisement is not to be construed as a public offering in any of the provinces of Canada of the securities mentioned herein. Such offering will be made only in the provinces where it is exempt or in respect of the legal prospectus to be obtained from the securities commission or regulatory authority herein.



# If you're looking to make real money in your RRSP then think twice about only investing in GIC's.

Many of you reading this spectacular issue of "Maclean's" Magazine have a sum of money set aside for your RRSP.

But you are not sure where to invest it. So you are looking for a secure investment that will provide you with strong long-term growth potential.

A GIC for example.

Right? Wrong.

Today more and more knowledgeable investors are putting their funds in a much better investment, which is designed to provide long-term growth.

For example, let's suppose that you read this advertisement ten years ago.

October 1979 to be exact.

That is what would have happened if you had invested \$1,000.00 in a GIC and \$1,000.00 in a Dynamic RRSP\* (See chart below).

The results speak for themselves.

## 10 YEAR PERFORMANCE

**Dynamic Fund of Canada** vs **GIC**

Value  
Oct. 1985  
\$5,460

Value  
Oct. 1985  
\$3,097



Dynamic Fund of Canada Outperformed a GIC by 89%.

Based on \$1,000.00 initial investment allowed to compound over the ten year period from October 31, 1979 to October 1985.

\* 1 year performance to October 31, 1985 - GIC's

\*\* G.I.C. value based on \$1,000 investment on October 1979 with annual interest payments reinvested at the prevailing 3 year G.I.C. rates to October 1985 (Source: Bank of Canada Review).

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## BUSINESS WATCH

# The PMO's impressive talent

By Peter C. Newman

Last week's crucial and delicate conference with Japanese Prime Minister Yasuhiro Nakasawa followed the pattern of most of the Mulroney government's eruptions onto the world stage: it went off without a hitch, in the process enhancing Canada's international reputation and confirming the faith of Mulroney loyalists in their leader.

The planning for that visit—and probably every other major event since the Tories were swept into power—was the operational responsibility of half a dozen senior members of the Prime Minister's Office, headed by senior adviser Fred Doucet.

Being a political organization, any PMO inevitably stumbles into controversy, so last fall's fiasco affair is aptly demonstrated. What is particularly unfair about the harsh criticism that has been lobbed at the PMO is the assumption that Brian Mulroney is not entitled to have associates with whom he climbed social and career ladders during his formative years. Instead, he is accused of surrounding himself with "cronies" with the implication that they are second-raters who couldn't get jobs unless their pal Brian had become PM.

There is precious little evidence to substantiate such accusations. Bernard Boy, who manages the PMO, and Stanley Sherif, who is part of the group although he is *deputy minister* of finance, were extremely successful themselves, and earned substantial fees of at least \$200,000 before their Ottawa appointment. Senior policy adviser Chaskey McMillan has been recognized as the world's leading non-Orthodox authority as Japanese politics by Patrick MacLellan, in charge of economic liaison, knows the inside power workings of Ottawa better than any man since Jack Flammerhill is his prime. Peter White, who has the thankless task of vetting all government appointments, was Conrad Black's original partner and remains one of Canada's most astute assessors of political and economic trends. Bill Pratoni, the PMO's executive assistant, is a former department store executive who has mastered the Ottawa power game.

The most interesting paradox is Fred Doucet, a P.M.O. administrator who spent most of his life in an academic environment. He attended St. Francis Xavier University at the same

time as Mulroney. Doucet has been at the very centre of every international, as well as federal-provincial, financial undertaking by the Tory administration—the very policy issues that have been the PM's most obvious accomplishments and have helped him, after 16 months, to the position of global power broker.

In charge of the PMO's so-called "America file," which has included the acid rain negotiations, planning of the original Shalecrack summit in Quebec City and the Baus economic mission,

Doucet has been under criticism for the year he spent as chief executive officer of East Coast Energy Ltd (ECE), the Halifax-based oil exploration company that went bankrupt last year. Some very senior Tories have pointed out that if involvement with bankrupt companies discredited Canadian officials from public service, John Turner would have a serious problem, since before re-entering politics he was chairman of a venture capital firm which invested in several companies that failed.

A controversial aspect of ECE's eventual bankruptcy has been the suggestion that \$500,000 in legal bills was paid to a Halifax law firm headed by Fred Doucet's brother Gerald after the company's financial difficulties became apparent.

Documents that came into my possession last week provide a fascinating inside look at the firm's bills. A letter dated Oct. 16, 1986, from Edward Chaisson, one of Gerald Doucet's senior partners, to Paul Marwick Ltd., acting as ECE's bankruptcy trustee, contains explanations for the bulk of the legal expenses.

Chaisson told me, "I sincerely hope that payments were made to the firm after unsecured creditors had been left in the cold. The last bill paid to us was for a 12-month period when we were doing everything that could be done to secure the financing and keep ECE afloat. In August 1986, Jim MacLeod, a Calgary oilman then in charge of the company's affairs, did distribute enough funds to satisfy most of the creditors' demands on our firm. He determined that, in view of our long association, their company could get a discount on the out-of-court legal bills." In a letter dated Aug. 24, 1986, from Gerald Doucet to Jim MacLeod, the Halifax lawyer detailed the legal charges (with one unexpected bill stretching to 36 pages) and agreed to reduce one account for \$100,000 by 47 per cent and another for \$60,415 by 16 per cent, "in recognition of the company's financial difficulties."

These and other facts will no doubt emerge in greater detail in legal proceedings now under way. But the integrity of the PMO is not at trial. Probably its greatest shortcoming has been not so much telling Brian Mulroney often enough or loudly enough that what Canadians really like to see is a Prime Minister they can respect, rather than one they can love.

**Fred Doucet** an interesting paradox

mit. Doucet co-ordinated Ottawa's prompt response to the Air India disaster. He also chairs most of the committees that provide the essential liaison between the PMO and senior civil servants. "Fred is a very smart and very valuable member of my staff," Mulroney and moiety. The PM has been responsible for much of the substantive and organisational planning that made such a success of the federal-provincial conference, the Nassau Commonwealth meeting and most of our other major initiatives."

Despite these and other anomalies,



# The dollar in danger

COVER

**T**he verdict was nearly unanimous. Most economists, market analysts and currency traders in the financial capitals of the world agreed last week that it was time to sell Canadian dollars. Many economists criticized the government's apparent inability to come up with the dual weaknesses of a reversal of Canada's trade surplus with the United States, and generally low prices for some of Canada's major exports. And traders responded quickly to their clients' demands to sell. As a result, the Canadian dollar plummeted in a record low trading price (76.87 cents US) and a record low price at the close of any trading day (75 cents US). While the Bank of Canada raised its prime lending rate to 10 percent, up above the currency, prices of imported goods, loans and mortgages rose and plans for vacation in the South became less certain.

**Shade:** The dollar's slide took place at a time when Prime Minister Brian Mulroney's government was already under pressure to provide clearer policy directions, and it sparked an immediate uprising in the Conservative. Liberal Leader John Turner charged that the dollar's fall reflected "a recognition on the world markets that there is little good management in the Canadian economy." Finance Minister Michael Wilson acknowledged that part of the dollar's weakness reflected concern in the marketplace that the government was not showing a sufficient degree of resolve in dealing with the federal government deficit. But he defended the government's management of the economy and pledged further action on the deficit in his sec-



Wilson determination

strongly and often." In fact, international traders cited a variety of reasons for selling Canadian dollars. One factor is Canada's inflation rate, which, at four per cent, is still slightly higher than that of the United States (page 38). But the principal reason is concern over the federal deficit—and the widespread perception that the

and budget, scheduled for next month. At week's end, he told Macleans, "I can't predict where the currency is going and I am not going to predict. But what I would say is that the fundamentals for the most part are very solid as far as Canada is concerned—economic growth, stable inflation, monetary strength and government performance."

Opposition members charged that the government was sending confusing signals to the money traders. On Tuesday Wilson stated that the dollar's decline was temporary, and that it was not the government's policy to allow interest rates to rise in defense of it. He added, "I have never felt that any level in the Canadian currency is a benchmark one way or the other that must be protected." Then, as the dollar fell close to 70 cents US, the Bank of Canada announced another interest hike—the fifth in as many weeks. Last Thursday's 0.17-percentage-point increase hiked the interest rate that the central bank charges on loans to chartered banks at 10.38 per cent, a jump of nearly one per cent from the first of the year. Said Liberal MP Raymond Garrison, a former banker: "The policy of the Bank of Canada is to push the rate of interest up to protect the dollar. But if the minister of finance does not have the guts to say so, the signal is an ambiguous that the marketplace reacts

to. The record government is incapable of coping with it." Said Geoffrey Magrath, chief economist for the Chase Manhattan Bank in London: "Canada is still running huge budget deficits which the government is not showing much willingness to deal with. The same is true of the United States, but they can get away with it to a certain extent because of the general health and the size of their economy. Canada cannot."

**Targets:** In last May's budget the government reported a deficit of \$36.9 billion for 1984-85 and predicted a \$22.5-billion deficit for 1985-86. Wilson told Macleans that he expects to meet that target, despite the unanticipated payout of \$20.5 billion in uninsured deposits because of the failure of two Western Canadian banks. But Michael Mansfield, chief economist for Merrill Lynch Canada Inc. in Toronto, said that the figures do not take provincial deficits into account. Mansfield said that if the federal and provincial borrowing needs are combined, "the deficit is still in excess of \$40 billion, probably closer to \$42 billion." Indeed, expressed as a percentage of gross national product Canada's deficit is among the highest of the industrialized nations.

Traders also expressed concern over a dip in Canada's trade balance. Last week Statistics Canada reported a further drop in Canada's trade surplus with its chief trading partner, the United States. Exports there fell 6.3 per cent from October, while the value of



International Monetary Market of Chicago Mercantile Exchange: nervous investors and an issue of Ottawa's reserve

US imports rose 11.5 per cent. The result: Canada's surplus in trade with the United States dropped to \$4.45 billion from \$5.2 billion. As well, the overall trade surplus with the United States is the first 11 months of 1985 was offset by mounting trade deficits with Japan and Western Europe.

According to Magrath, there is also a general feeling that Canada's trade performance will deteriorate over the next year or so, putting further downward pressure on the dollar. He added: "The economy is expected to grow by only 3.0 to three per cent in 1986, and that will probably lead to more imports. At the same time, the market looks weak for commodities. Put those factors together and you have a simultaneously worsening trade balance."

But other experts said the Canadian dollar was taking an unfair beating in the international markets. Thomas D'Aponte, president of the Ottawa-based Business Council on National Issues, said: "If you look at all the critical growth figures and compare them to other industrialized countries, we are looking exceptionally good" (page 36). For his part, Wilson told Macleans that "imports are up because there is more base strength in our domestic economy." For the deficit, D'Aponte pointed out that the problem "didn't emerge yesterday." He added, "For some of these people to say you're

about our debt is raising the deficit in the dollar is really an exaggeration—and it's one that is feeding on itself."

Added John Lupley, vice-president in the international bond market research office of Salomon Brothers in New York: "All of the reasons cited for the fall of the Canadian dollar are negative arguments, not current ones. So the weakness of the Canadian dollar is largely based on expectations—including the expectation that the US dollar will continue to fall."

**Markets:** Indeed, concern over the future course of the U.S. economy—and of U.S. interest rates—added to the nervousness in world financial markets last week. Investors, just recovering from the record drop on the New York Stock Exchange on Jan. 8, sought a traditional safe haven—gold. In Europe the price of the precious metal reached a 13-month high of \$327, fuelled in part by uncertainty over continuing US-Libyan tensions. And investors and market analysts anxiously awaited the outcome of a meeting of finance ministers and central bankers of the Group of Five (G5)—Britain, France, West Germany, Japan and the United States—in London at week's end. Economists predicted that the G5 members would agree to hold the US dollar down and attempt to lower interest rates.

Any agreement to lower US interest rates will probably reduce pressure on

the Bank of Canada to maintain high rates. And Wilson said that he is eager to see next month's budget to answer critics that the nation's economy is being hamstrung. He told Macleans that the government's first budget was partly responsible for the apparent international pessimism that the government lacks the resolve to deal with the deficit. Said Wilson: "There is a perception that because the government backed away from the old age security proposal [no defined pension], we've backed away from everything. But we intend to bring in a budget that will lower the deficit for next year."

Many experts say that with such a demonstration of resolve, Wilson and the Conservative government might increase their credibility abroad. Said D'Aponte: "This is the government's last opportunity in its first mandate to make a substantial difference on the deficit. If it misses this opportunity, I think it will be mostly publicly, not just in terms of business support but also in terms of jobs and confidence if they grab the opportunity. I think it could really pay off." But the challenge to the government will be to accomplish its objectives abroad without a major loss of support at home.

—HAL GREEN in Toronto with MICHAEL ROSE and ALISON HALE in Ottawa and LENNY GLYNN in New York

# Images vs. reality

COVER

**F**or months the Canadian dollar had drifted slowly downward on world markets. Then, last week currency dealers on Wall Street, in the City of London and in Chicago suddenly decided to sell dollars—and in a day of frenzied trading they drove it to a historic low point. For many Canadians the attack on the dollar was a rude shock. The country's currency is a vital, valuable and powerful reserve. And the general optimism about Canada's economic prospects, buttressed by three years of economic improvement, has fuelled the expectation that Canadian money should be worth more than it is in the United States and Europe. But to international money traders the dollar is simply a day-to-day speculative investment—and not a particularly important one. Said Thomas D'Amico, president of the Ottawa-based Business Council on National Issues: "We are not dealing with national issues. We are dealing with currencies, rumors, speculation."

**Image:** Collapsing with the selling was the appearance of articles in major U.S. publications earlier in the week drawing attention to what they described as the image problems of Brian Mulroney's government. As well, the release of Canadian trade figures showed a sudden deterioration. And with prices for natural resources commodities still depressed, some foreign traders concluded that because of Canada's large resource base, its economy was threatened. Detecting a weakness in the Canadian dollar, speculators on the interna-

tional money market of the Chicago Mercantile Exchange moved in, selling large volumes of Canadian dollars and sending the currency tumbling.

One report that made traders noticeably nervous said that Canada and Italy had been frostily received when

as saying, "We want members with real governments." The reports and statistics created an anxiety image for the Canadian economy.

At the same time, the actual measurements of the Canadian economy are strong. Economists point to low inflation and unemployment rates, improved job creation, soaring corporate profits, higher productivity, steady consumer spending and increasingly active manufacturing as reasons why the dollar should be strong. Said James Frank, chief economist of the Conference Board of Canada: "It does not make sense." For his part, Finance Minister Michael Wilson declared that the dollar was suffering only a temporary and minor setback. He told *Maclean's*: "The fundamentals for the most part are very solid as far as Canada is concerned." But he added: "Markets will move. Sometimes they will overreact to situations, sometimes they will react to perceptions of things rather than realities." Indeed, Geoffrey Maynard, chief economist in the London office of the New York-based Chase Manhattan Bank, said that the money market "tends to overreact to what it perceives as political crisis."

But Liberal Opposition Leader John Turner said that the dollar's fall was a result of the international community's perception of the Mulroney government. Said Turner: "There seems nothing concrete to indicate why the Canadian dollar is falling except for one overwhelming reason: I believe the markets are saying that they have little confidence in the way this government is managing the country and



Turner's perception that the Canadian economy is fragile

they had requested membership in the Group of Five nations, which met in London last weekend to discuss lowering the U.S. dollar and interest rates. The report in *The New York Times* attributed the reasons for the refusal to difficulties that Canada and Italy would have in putting monetary decisions taken by the group into effect, and one monetary official was quoted

managing our economy, and I think that is what is being reflected in the lower dollar." As well, one senior New York currency trader said the government's unsuccessful attempt to rescue two Western banks last year is a factor in the decline. For others, the lack of confidence triggered concern. Said Andrew Allegro, senior economist with the Scotia-Dominion Bank in Toronto: "Foreigners perceive that the government is not serious about reducing the deficit. The only way is if the Prime Minister throws his weight behind the finance minister, who is serious."

**Alarm:** In New York traders said that reports of Mulroney's indecision on the budget contrasted sharply with the more determined actions of the U.S. government to deal with the same problem. Declared Thomas Eklund, an economist with Merrill Lynch in New York: "What has been baffling about for some time among investors is a belief that government can in with the intent to reduce the deficit and has been very slow—admittedly for good political reasons—to do so. Investors are disappointed." In London several years ago most British institutional investors moved out of Canadian currency when resource prices began to decline. Now, said one British bank economist: "What we are seeing is the sum of a lot of small inflations, none of which gives rise to a lot of confidence in Canada. Without a doubt, one of these factors is that people in the international markets are generally disappointed by the lack of resolve of the government."

But the perception that the federal government has, in the words of one foreign economist, "demonstrated that it doesn't want to offend too many people" goes beyond the problem of the dollar. Merrill Lynch's Robinson declared that the traders' negative feeling toward the Canadian dollar "is due to foot-dragging by the Mulroney government on free trade." He added: "Mulroney initially proposed it and then there seemed to be a lot of opposition in Ontario and the issue was sub-pedaled. That raised the question of how serious this government is and whether Canada is really ready for a free market." But

even when the Canadian government has taken steps to solve economic problems—by increasing revenues through higher personal taxes—some foreign economists have been critical. Declared economist Alan Heywood, chief economist at a Montreal, N.Y.-based think-tank, "Mulroney's tax hikes are a good way to reduce Canada's currency. Capital flows to areas where it drives the greatest after-tax return. Canada's tax climate is already unattractive, and the direction of policy was unconvincing."

Still, many foreign money market

experts pointed out that Canadians themselves have contributed to the dropping value of their dollar by buying U.S. currency or investing in the U.S. economy. Declared Jake Lipsky, vice-president in the international business unit at Salomon Brothers, a New York-based investment firm: "To view this somewhat that foreign investors are doing to the poor Canadian dollar is quite wrong. Canadian markets and Canadian institutions have been uniformly more bullish on their currency than foreigners have." Added Ian Aspinwall, an economist with Lloyd's Bank in London who specializes in the Canadian, Irish and British currencies: "There is not a malaise evident on the part of traders to bring down the value of the Canadian dollar."

**Focus:** Economists point out that the Canadian dollar is extremely vulnerable to the international forces at play on the money markets. For one thing, the dollar's volatility is partly caused by its standing as a "beta" or satellite currency to the U.S. dollar. As a result, it needs to rise and fall along with the U.S. currency. As well, any movement in the value of the greenback on world markets has an exaggerated swing effect on the Canadian dollar. The dollar is also very vulnerable to speculation. Trading in Canadian currency, by international standards, is considered to be very "thin," or low-volume. Because of that it is susceptible to shocks because even a small number of trades can affect the market.

Some experts say that the economy's performance has little bearing as decisions to buy and sell money. Alberto Giovannini, professor of international finance and economics at Columbia University in New York and an expert on international currency markets, says traders will appraise their attitude toward a particular currency by talking about the fundamentals of an economy. But, he added, "really they have no interest in fundamentals. They have to keep in mind one thing: traders have a horizon that is incredibly short. They make and lose money over two or three days at most."

Many of the decisions about the val-



AT THE MERCY OF  
THE DOLLAR



## COVER

on of the Canadian currency are made by traders in both London and New York whose knowledge of the country's economy is principally formed by newspaper reports. Said Richard Cherry, manager of the New York office of the Montreal-based investment firm Leveque Brothers: "I would guess a lot of the Wall Street financial community gets its information from Canada from a few publications." In fact, there were a number of

inviting acceptance to speculators said Reynolds of Polyconomics. "Basically, the Bank of Canada now has to believe people to stay in Canadian dollars and attract foreigners to buy them with high interest rates." Fred Allard, for one, a senior dealer in the foreign currency options division of Donaldson, Lufkin & Jenrette, a New York investment firm which trades between \$80 million and \$100 million worth of Canadian currency daily,

is raising your currency up and down, though."

One economist at a British bank in London predicted that the dollar would likely weaken further over the next 12 months and added: "Until a few weeks ago most of the economists in Britain felt it was likely to appreciate. We never held that view." But Ian Storer, London-based vice-chairman and head of international operations of Wood Gundy of Toronto, told Mac-



Hong Kong money traders: the dollar is more dependent on Canada's image. *ALBERTO BONET* on its economic track record

traders interviewed by *Maclean's* in New York who discussed the Canadian government's lack of resolve in acting on economic problems but who did not know the Prime Minister's name. Said Giovanni: "The characteristic of the currency markets throws into question whether the fundamental policies of governments, designed to shore up or push down the value of their currencies, have any effect. What really works is for a government to enter the market and try to burn the traders."

Indeed, others advocated a tougher strategy for Bank of Canada Gov. Gerald Bouey. Some traders said that the present policy of intervening when the value of the Canadian dollar drops by buying it in large amounts—creating a demand for it and sending up its worth—makes the central bank an

oddity among traders. "There is generally a lack of confidence in the Bank of Canada," he added. "It has told people on several occasions that it would back the currency when it hit a certain level—and then when it did, they didn't do anything. That kind of inaction weakens the currency."

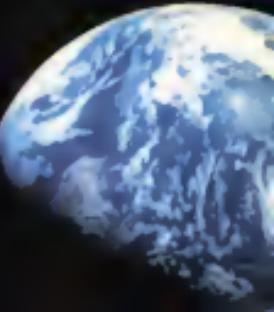
**Danger.** The Canadian dollar will likely continue to face the dangers of speculation anytime it shows signs of weakness. Explained one New York money-trading trader: "The Bank of Canada is pretty much fighting a losing war. It cannot raise interest rates much without making unemployment worse. The next couple of weeks will tell you if the Canadian dollar goes to 65 cents or 67 cents. And the thing is that once people start thinking that way about a currency, then the traders will trust it. You cannot have foreigners

leaving." His personal view is quite optimistic: "I think the Canadian dollar will climb back to 75 cents by the end of the year and that it will gradually move toward par with the U.S. dollar over the next decade." Whatever way it moves, the dollar will likely continue to be dependent primarily on Canada's image abroad—seen more than on its economic track record. Said Salomon Brothers' Lipsky: "The Canadian dollar has taken a beating basically on expectations. When will it turn? That involves a change in those expectations. And it remains to be seen what event or policy decision will cause that to happen."

—PATRICK BONET in Toronto with DAVID LINDGREN and LENNY GLASS in New York and MICHAEL BROWN in London, HELENE MACDONALD and MICHAEL BROWN in Ottawa and ANDY WALSHAW in Toronto



PREMIUM IS PREMIUM.



# Greenback power

COVER

**W**hite House spokesman Larry Speakes was buoyant last week. Fresh statistics had just disclosed that U.S. retailers had celebrated a surer than expected Christmas, registering gains of 1.9 per cent in sales in December over a year earlier. "With sales booming and the unemployment rate at its lowest level since 1952," Speakes said, "the health of the outside's economy can be readily observed by even the most casual observer." That official optimism is often discounted by most economists and businesses. But last

month added 220,000 new jobs that month. More significantly, the gains were shared by two-thirds of the industries reporting to Labor, including manufacturers who had 40,000 new employees. That was the third consecutive monthly increase in factory employment after a production slump that had lasted through most of 1985, costing 160,000 workers their jobs. "Our manufacturing sector has withdrawn and the economy," said Paul Lyle Granoff of the Marting Bankers Association, "has deserved the domestic industrial output is starting to grow."

Consumers are stimulating the re-

fresh stimulus to domestic growth.

Major areas of economic concern and political uncertainty do remain. U.S. farmers are still struggling with mounting financial burdens, and stable food prices promise them little relief. The economy's new strength also reflects persistence on the Federal Reserve Board, America's central bank, to lower interest rates, although Treasury Secretary James Baker was strong for just that in a meeting attended that week in London with the Group of 5, the central bankers and finance chiefs of the United States, Britain, France, Japan and West Germany.

Reagan's more serious risk to the economy is that Congress and Reagan may become involved in a year-long dispute on amending the Gramm-Rudman deficit reduction act passed last year, which was designed to force year-to-year cuts in the deficit and achieve a balanced budget by fiscal 1990. But the first mandatory cuts,



Lower Manhattan skyline: buoyant spending, rising employment and a resolve to slash the burgeoning deficit

week's statement, made in the wake of last year's slowdown in 8.4 per cent in growth, was particularly welcome.

**Growth** Indeed, in the past two weeks Americans have enjoyed a series of encouraging statistics and a new optimism about the economic condition—which makes Canada's uncertain economy seem relatively weak by contrast. Along with the improvement in Christmas sales, U.S. unemployment is down, and output is improving across a broad spectrum of industry. The Ronald Reagan administration's projection of four-per-cent growth, made last year, now looks credible, and many private economists are sharing their earlier, more pessimistic forecasts.

The wave of good reports began in early January, when the labor department announced that unemployment in December had edged down to a five-year low of 6.9 per cent. Businesses

now surge, spending freely despite having an up round of levels of personal debt. Consumer installment debt, in fact, has reached new highs in every month since last June, and requirements now consume nearly 19 per cent of Americans' disposable incomes.

But the confidence is maintained by rising personal incomes, continued low inflation and the "wealth effect" of major increases in stock and bond prices.

**Business** Manufacturers, too, have benefited from the rising demand as sales slightly outpaced production in recent months. And that has raised optimism that output may increase further and more workers will be hired. The roughly 30-per-cent fall in the U.S. dollar against major trading partners' currencies since last February has not yet turned Americans' appetites for imports, but that is expected to happen by spring, providing a

\$11.7 billion worth (U.S.) due by March 1, are causing strong protest.

Still, these cuts are less harsh than the estimated \$20 billion in deficit reductions that will be needed to bring the deficit down to the law's mandatory target of \$144 billion for fiscal 1987, which begins next Oct. 1. Congressional Democrats are intent on forcing the Reagan administration to curb its defense buildup and raise taxes.

For these parts, White House officials are preparing for dramatic cuts in social programs and say that tax increases will be voted. As the mid-term election year for the House and Senate unfolds, the result could be near-paralysis in Washington. If that happens, the current mood of optimism could quickly turn into the chill that tends to end most business recoveries.

—LENNY GLASS ■ See York



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## The other forest



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At your pleading to reduce the federal deficit in order to restore confidence

## Hard choices for a soft dollar

COVER

**W**ith the Canadian dollar ploughing its historic new low, the pressure to do something is overwhelming—but scarcely

what is a shrewd question. For one, the Bank of Canada has vowed to shore up the sagging currency by allowing interest rates to rise, a move designed to make the dollar more attractive to investors. For his part, Finance Minister Michael Wilson offered assurances last week that the government was committed to reducing the federal budget deficit, which, analysts said, had damaged the dollar by undermining confidence in the economy. Still, some economists doubt that those developments will make the decline of the dollar stop at the current 75 cents U.S. And the actions will not likely allay debate over an issue that has long divided importers and exporters, Liberals and Conservatives.

**Intervention:** Some economists do not even view the dropping dollar as a cause for alarm. Michael Walker, director of the Fraser Institute in Vancouver, rejected the implication "that there is something inherently good or bad about movements of the Canadian dollar." Walker asserted that the central bank should not intervene to prop up the dollar, an action, he says,

that only encourages more speculation. Some economists who were supportive of intervention now say that with four per cent inflation, the dollar should be allowed to float. "Canada should quit using the currency as if it's matched to being challenged," said Carl Heige, director of Toronto investment firm Dominion Securities' Pritchard Ltd. "That is no basis for permanent deficits."

**Dropping:** Still, there are distinct advantages from a falling dollar. The chief beneficiaries are exporters in resource industries, whose products become cheaper in the U.S. Other gainers are those who export their goods but do not rely heavily on imported materials to make their products, while bargain-happy tourists cause the Canadian tourist business to boom. Said Richard Harris, a Queen's University economics professor: "Many people export their jobs to a 30-cent dollar."

But there are plenty of losers, too. The wounded currency is disastrous for importers, who pay out more dollars on foreign markets and pass on the higher costs to consumers. And

that could lead to an increase in inflation for a Canadian economy in which 70 per cent of the annual \$90 billion in imports comes from the United States.

That scenario is precisely what the Bank of Canada wants to avoid. As a result, it raised its prime lending rate—the rate at which it lends money to financial institutions—to 10.58 per cent last week, up from 10.38 per cent the previous week. But that action could backfire by undermining business investment and slowing the job-creation rate. It will also lead to higher mortgage rates—the major banks have already announced increases—mortgage loan costs and, possibly, reduced spending. Indeed, higher interest rates could reverse an economic recovery during which unemployment dropped to 10 per cent last month, its lowest level since April, 1982. But Wilson, who confers regularly with Bank of Canada governor Gerald Boulet, insisted last week that both the dollar crisis and the increased interest rates were merely short-term fluctuations. "Stability," he said, "will return."

**Alien** Other analysts are not so optimistic. They say the problems that led to the dollar's fall are deeply ingrained. And while the government can do nothing to affect the dollar's value in world currency markets, which underpin Canada's foreign-based economy, critics say Ottawa must also take the position that it is not an interest in left-righting as in the United States. Last May, the government predicted that the current year would see a \$3-billion drop from the fiscal 1984-85 deficit of \$8.8 billion, and it has pledged a further decline for the next fiscal year. But many observers doubt the budget-cutting commitment of Brian Mulroney. "So far the Prime Minister has been oscillating," said Andrew Allfrey, senior economist at the Toronto Dominion Bank.

There are other, more extreme ways to prop up the dollar. In the past, New Democratic Party leaders have called for limits on the amount of money that is allowed to leave Canada and a tax on extra income earned as a result of higher U.S. interest rates. But Washington might well retaliate with protectionist measures, and currency controls are anathema to the Conservatives. For now, Ottawa seems determined to ride out the crisis on its meagre road, hopeful it will not lead to an even deeper hole for the dollar.



Walker little alarm

—BOB LEWIN with ANDY WALKINSLEY in Ottawa and correspondents' reports



# Counting up all the costs

COVER

**T**he pattern was a familiar one. When the dollar began to drop on international money markets last week, equal numbers of Canadian rejoiced as despaired. The definitive dollar resulted immediately in higher interest rates for loans and mortgages. It also drove up the cost of what for many Canadians is a cherished mid-winter tradition—the tropical vacation. And within weeks prices of consumer goods imported from the United States may also rise. But the weakened currency will also likely strengthen foreigners' demand for Canadian goods and services and improve the rate of return on investments such as bank accounts and retirement savings plans.

With some economists predicting that the dollar will eventually fall to 40 cents U.S., there may also be a see-

sood of inflationary pressures that could jeopardize Canada's economic recovery. But others, including Finance Minister Michael Wilson, said last week that the dollar's level this year may only be a temporary phenomenon. Said James Prival, chief economist at the Conference Board of Canada: "This volatility could go as far as a couple of weeks. It's a normal thing to happen."

**What** for one thing, a weak dollar

could help reverse the downward trend

in Canada's foreign trade statistics. Since 1982, exports to the United States—the nation's major trading partner—have expanded rapidly, and in 1984 Canada had a record trade surplus of \$20.8 billion. But last year that surplus began to shrink. Last week Statistics Canada released figures for November, 1985, showing that exports to the United States fell by 5.3 per cent

to \$8 billion while the value of imported U.S. goods rose 11.5 per cent to \$13.3 billion. For the first 11 months of 1985 Canada's trade surplus was \$15.5 billion, down \$3.8 billion from the same period in 1984. Rising imports from—and falling exports to—countries other than the United States left Canada with a total trade surplus for November of \$800 million, down sharply from \$2.2 billion a month earlier.

**Expressed** According to statistical data prepared by federal finance department officials, for every one-per-cent drop in Canadian prices, exports to the United States should rise by one per cent. But, said a senior finance department official, "the thing to remember is that this one-per-cent change doesn't take place immediately." He added that the long-term effects of a depressed currency were significant only if they created a demand for Canadian goods in the United States.

A weak dollar is clearly welcomed by Canadian manufacturers who ship their goods to the United States, but there is also a high price to pay for a depressed dollar. Economic estimates that a three-per-cent decline in the dollar creates a one-per-cent rise in the consumer price index.

Many consumers have already felt the adverse effects in Ontario earlier this month the price of some imported

## Florida beach still heading south

French wines increased by about 16 per cent. Ontario Liquor Control Board spokesman Christopher Leyton attributed the increase to disastrous weather in wine-producing regions of France—and to the weak Canadian dollar, which now buys only 5.2 francs compared with 7.3 francs just eight months ago.

Still, as the dollar has declined over the past 10 years, many Canadians have been partly cushioned from dramatic increases in prices for such products as imported fruits and vegetables, electronic equipment, auto and clothing. The reason: foreign producers and importers often absorb part of their higher costs and only slowly pass on increases to avoid discouraging customers with sharp price increases.

**Clothes** But eventually, the full costs are felt. Said Maria Nicieza, manager for Carlton Foods, a small Fort Meade, B.C., company that imports preservative-free tomatoes and olive oils from Italy: "We have to pay most of our suppliers in American dollars. Because we are in a very competitive market, sometimes we have to sell our imported products for less than they cost us."

Sooner or later we have to change prices for the Canadian products we carry just to keep up."

For his part, Michael Vaughan, the owner of Michael's Markets, a Toronto company selling imported and domestic fresh produce, seafoods and delicatessen products in southern Ontario, and that a depressed dollar will result in some imported products simply disappearing from the Canadian market. Said Vaughan: "I can no longer afford to buy fresh cut fish fillets from the United States, because my customers are not willing to pay the price."

Many public and private corporations that borrowed U.S. funds also suffer when the Canadian dollar falls. Similarly, Canadian businesses that purchase equipment or supplies outside the country have to pay more for them. But some Canadian industries, particularly those that export commodities, welcome a cheaper dollar because it provides an opportunity to make short-term profits. Indeed, shares of many mining companies shot upward on the Toronto Stock Exchange last week as investors anticipated improved earnings. At the same time, those companies are vulnerable because a sharp rise in the dollar would severely reduce their profits.

**Walkers** For Canada's travel industry, a weakened currency encourages more visitors to spend more money on the country's restaurants, hotels and accommodations. "It is a terrific base for tourism right across Canada," said William Durn, president of the Metro Toronto Convention & Visitors Association, an umbrella organization that represents 600 industry-related compa-

nies of 3.3 per cent over the previous year and the highest November level in a decade. Still, said Durn, the effect of the favorable exchange rate is "not as great as it could be, mainly because most people in the United States don't know about it."

**Optimists** That, too, may change. Many travel agents say that they are optimistic that a \$20-million federal advertising campaign scheduled to begin across the United States next month will increase the flow of American visitors. A prime aim will be to make Americans aware of the extra strength that their dollars have in Canada. Said Durn: "Once they come and find out that it works out to an additional day or two for free, they sure do tend to come back again." Martha Chapman, public-relations director for Golger's, a Toronto-based travel agency with 87 branches across Canada and the publicity for Vancouver's Expo '86 would provide a strong incentive for Americans to visit Canada this summer.

But for many Canadians, the dollar's latest drop was felt most when they began planning foreign holidays this winter. Many travellers expressed shock last winter when between January and March the dollar moved from 72 cents to 76 cents, and for the first time found themselves paying a 40-per-cent premium on their currency. Bill and Chapman, "because we have not had a dramatic, overnight drop this time, set much has changed. A small dip down doesn't make much difference." She added that business has remained steady in Golger's agency countrywide.

Indeed, Canadians who can afford to travel at all seem to have become used to their own buying power abroad. "The exchange is so bad that my clients are simply ignoring it," said Gordon Sabiston, a travel agent in Hamilton, Ont. And a Statistics Canada spokesman said that last year many Canadians disregarded the disadvantageous exchange rates. In the first 11 months of 1985 the number of Canadians who visited the United States increased by 2.2 per cent over 1984 to 39 million. Over the same period, 22 million travelled to countries other than the U.S., an increase of 10 per cent.

Indeed, many Canadians appear to have decided that the country's shrinking dollar is not as large a concern as endless months of winter when they consider a holiday in the sun.



Vaughan choosing not to buy expensive imported goods

in Toronto. Indeed, Statistics Canada figures show that for the first 11 months of 1985 tourist visits from the United States numbered 11.6 million, up 3.4 per cent from 1984.

In November alone 500,000 American tourists visited Canada, an in-

crease of 10 per cent.

—ANN FINLASON in Toronto



Schaefer: 'The uplifted feel you've never seen'

**S**ex-fest Scarborough, Ont., model **Mariska Schaefer**, 14, who became an overnight celebrity last week when she won the Supermodel of the World contest in Los Angeles and a \$25,000 CTV-8 contract with the contest's sponsor, the New York-based Ford modelling agency, says there is one thing that she hates about her physique: "My big bust," says Schaefer. "They're the biggest, ugliest busts you've ever seen!" Not Among her favorite things, she says, are double-chest-popper-and-maintenance pieces, belts with buckles and, as for **Siobhan Stidham**, President of her Grade 9 class, she wants to be a psychologist! "Wealthily, there are no really top models after the age of 25," and added that she is looking forward to returning home after celebrating her win in Los Angeles and New York. "I missed my friends and family so much and I can't wait to get back to school," added the straight-A student. "But I don't miss history class. It's boring—every teacher will admit it."

**T**he grainy screen images produced by **Steve Guttenberg** (right, The Bondi, 42) have caused great buzz in gay and straighten to fand. Now, the Toronto film-maker says he is adding some existential touches to his re-

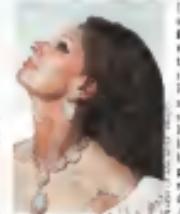


Queen Elizabeth II "in congenial"

ingrapher **Freud Karsh**, 75, says that he enjoyed being the subject of **Director Harry Rasky's** documentary, **Karsh: The Seeing Eye**, scheduled to air on CBC on Jan. 23. What will likely appeal most to viewers is the gossip that Karsh relates about his celebrity subjects—when **Ernest Hemingway's** disbelieving reaction to Karsh's 6:00 a.m. request for a portrait ("Good God, at this hour of the day?") to **Brigitte Bardot's** testing comment when she learned that Karsh had just finished photographing Pope John XXIII. "Ah, and Bardot," from the screen to the audience, Karsh told **Macleans'** last week that after a brief photo session, **Maria Callas** urged him to take time to get tea and cake and sit at it. And when **Karen** 1984 photographic queen **Elizabeth Taylor** was published,

he said, "the press wondered what I had done to get the Queen to look so congenial. One journalist concluded that it was because she and I were both old friends."

—Edited by MAUREEN MOTHER



Linda Gray at 41

In and, "the press wondered what I had done to get the Queen to look so congenial. One journalist concluded that it was because she and I were both old friends."

—Edited by MAUREEN MOTHER

# An intoxicating sense of the beautiful

**A** Y Jackson, bearded here as one of the great masters of Canadian painting, Somerset Maugham had a fictional character on his pleasure-loving, Impressionist personality Sean Mallin peacock his "talents eye" and his "wonderous" in the rendering of landscapes." But to the Canadian public, James Wilson Morrice is still an elusive figure, as elusive and exotic as the atmospheric in his tropical canvases. The retrospective show, **Morrice: A Painter With a View**, at the Montreal Museum of Fine Arts, lets the painter into a vivid, sensual feast. It demonstrates that Morrice was more than simply Canada's foremost painter in the post-impressionist tradition; he was also an artist with a strongly individual vision.

The exhibition, which will move on to Quebec City, Fredericton, Toronto and Vancouver, contains more than 100 oils and watercolors. By no means comprehensive, it is still a testament to Morrice's interventionist capacity for hard work. A Montrealer, born in 1865, he studied law in Toronto before deciding in 1886 to leave Canada to pursue his art. For the next three decades, Morrice was based in Paris. From there he travelled incessantly, gaining a measure of international success. Indeed, even London's Tate Gallery acquired one of his works, the lush, almost claustrophobic **Mount St. Helens**, now on display in Montreal. But unlike his fellow generation of artists, Morrice admitted, "I have not the slightest desire to improve the taste of the Canadian public."

Morrice was an intrepid hedonist. Painting was his way of probing and disciplining the pleasure he took from colors, landscapes and the luxuries of Paris. He tutored a group of young artists, "When you go to do a painting, see it." During his first years in Paris, Morrice painted nude models, as the *Confidante* lay slumped in a grey coat. The pale face of his *Young Woman in Black Coat* provides the only light in a canvas of elegant gloom. But his work grew brighter and stronger over time and his techniques more daring, in

*Morning, Bimini*, the sky, the quiet river and the bare foreground all silhouetted in green. After 1922 he began to focus North Africa and the Caribbean in quest of visual intensity and a respite from the ravages of alcoholism. He died in Toulouse in 1944.

The turbulent vitality seems more evident in the late landscapes of Africa and Toulouse than in his languid,

their human figures in the middle distance, soft faces intense or serene. By contrast, his war sketches of 1915 are remarkable for their sense of movement. Canadian Drupe at the Front shows an aerial dogfight, bursting shells and a marching squadron. For once, Morrice's painting reflects danger and pain.

More seriously, he portrays a world of leisure, a civilization in which only appears burned. His work details Europe's expatriate culture, focus races, parks. A private fortune made his leisure possible. Morrice's father, a Montreal businessman, had the foresight and forbearance to support his son's career. In return, the painter made regular visits back to his family. Those paintings inspired some of his most eloquent landscapes. His grand, leisurely study of *The Old Afghan House*, Montreal gives rise to a peculiar irony, since after Morrice painted the building it was demolished to make way for the Montreal Museum of Fine Arts.

Whether they evoke a vanished Canada or a faded Europe, the works in **Morrice: A Painter With a View** challenge visitors by their dizzying tranquillity. Morrice kept his models out of his art. The large number of oils in his work is the only hint of what Mausoleum described as his "vibrant, pale passion." For while the odd sign of mortal turmoil—smudging a red wash in the sky above a cityscape of Tangier—makes his work more powerful to contemporary eyes, yet Morrice would not have shared the modern disillusion with art. The demand he makes is that his spectators enter a reverie in which anguish becomes irrelevant. To appreciate Morrice, a viewer must be prepared to follow in beauty.

—MARK KELLY in Montreal



Le Quai des Grands-Augustins, Paris with turbulent vitality

sovereign paintings of Europe. Morrice consistently sought an exquisitely idyllic, free of passion or aggression. His portraits, sometimes severe and cold, because Morrice had little interest in revealing character or manner, are signs of his often tell nothing, instead, he used portraits, like landscapes, to create a mood.

That mood is usually one of repose. In Morrice's art the world seems to pause in a radiant, unbroken glow, as though waiting for some grand event. Such pictures as *The Beach, St. Malo and Afternoon, Tunis* all keep

# The search for solutions to sexual abuse

In August, 1984, the Committee Against Sexual Offenses Against Children and Youth filed a complaint action when it reported that more than 95 per cent of all Canadian experiences sexual abuse during their childhoods. Toronto sociologist Robin Badgley, chairman of the 11-member federally appointed committee, recommended extensive changes in the Criminal Code to deal with the problem and to punish offenders. His report declared that for the government to be effective, it had "a dual role in angling." Eighteen months later the Conservative government was an implementer, not of Badgley's major reforms. But last week Justice Minister John Crosbie undertook to introduce new legislation soon in an address to an Ottawa conference on youth and the law. Crosbie declared, "Our criminal justice system has failed the growing number of Canadian children who have fallen victim to sexual abuse and exploitation." At the same time, the growing number of sex abuse cases reaching the courts demonstrates that it will take more than simple legislation to cure one of society's oldest and most virulent practices.

In one case, former teacher and school principal Robert Alan Neary, 27, pleaded guilty in the British Columbia Supreme Court on Jan. 7 to 19 counts of indecent and sexual assault against his pupils. The court learned that Neary had committed his crimes over a 15-year period before police finally arrested and charged him. In another case, now being heard in Hamilton, Ont., the local Children's Aid Society is seeking permanent custody of two young sisters who have given chilling testimony about sexual abuse, ritual murder and even cannibalism by their father, mother and her boyfriend. That case has focused attention on Badgley's controversial recommendation to permit the coroner of inquests on the basis of testimony from children. And in other cases brought to court since his recommendation, accused sex offenders have used the Charter of Rights and Freedoms to elude prosecution.

For many parents of abused children, and for the children themselves, the prospect of dealing with police and the adversarial court process still appears to be so formidable that they never press charges at all. But those who do are emboldened by an increasingly strident support system. In Halifax, for one, where Children's Aid Society workers are deal with about 50 cases each, there is a three-month waiting

period for psychological treatment of sexual abuse. Similar inadequacies exist throughout the country, according to Neville Aviaron of the federal department of justice, who recently reported an public reaction to Badgley's report after meeting with 200 concerned groups nationwide. In his report Aviaron writes, "It was believed to be unusual or worse that no action for the federal government to address the legal anomalies without having plans for the effectiveness of programs and services that would be required."

Still, most experts say that the public

and member sexual assault squad in 1983, the number of reported abuse cases doubled to 211 cases last year. One victim, a 13-day-old girl, had been sexually assaulted three times. Dr. John Blaikie, Vancouver's chief medical health officer, "We don't know whether child sexual abuse is more prevalent now than the number of cases being reported has increased dramatically."

That increase has often led to legal confusion. The Hockfield case in particular has drawn attention to the credibility of child witnesses. In that case, the sisters' foster mother testified



Dr. Jacqueline Atala will not care one of society's most virulent practices

discussion of a once-taboo subject has encouraged more victims to come forward. Statistically, the increasing number of reported sexual abuse cases against children is staggering. In Ontario the police department has experienced a 40-per-cent increase in reported sexual assaults since 1984. In Halifax, a multi-jurisdictional 1981 trial of a father and his son, the torturer-murder of four-year-old Tandy Macleish, proceeded with an outcry that the provincial government mounted a media campaign which stressed that anyone who knew of sexual abuse was legally obliged to report it. There, reported cases of sexual abuse against children rose to 211 in 1984 from only seven in 1982. In Vancouver, since police set up a

that police refused to believe her when she told them about the girls' allegations, which included accounts of graveyard orgies, torture and the forced feeding of the flesh of other children. One social worker testified that an 11-year-old girl the children had shown affection for their father, whom they had accused of at least three murders. At another time one of the children said, "None of it happened, my mom didn't hurt me." But the social worker added that she did not believe that confession, in part because experts who examined the children had concluded that the stories were substantially true.

Many lawyers oppose Badgley's recommendation to change the laws which prevent many children under 14



Fawn with daughter Rebecca in new program to teach children about sex abuse

from testifying. They argue that during the trial process repeated interruption might inadvertently encourage the child's imagination to re-enact or implant information that was never there in the first place. Harold Levy, for one, editor of the *Canadian Lawyer* Association, Macleish, and that allowing unsworned testimony from children incapable of understanding an oath would be "incredibly dangerous." He added, "There seems to be a 'Believe the children' movement' which is tied into the children's rights issue. But they don't have the right to be believed just because they are children."

For support, Levy cited a case in Jerome, Mich., in which seven children accused several adults of crimes such as those which the Hamilton girls described. Encouraged by a crusading district attorney, police arrested 36 adults and the case gained worldwide attention. But the investigation ended abruptly when the children confessed to lying, and all charges were dropped.

For their part, supporters of Badgley's recommendation that children's evidence "should be received and considered in the same light as that of adults" assert that it presents difficulties. Sud Dr. Marcella Blaz, director of the Suspected Child Abuse and Neglect program at Toronto's Hospital for Sick Children, "Often there is no witness, no medical evidence, and if the child's testimony must be corroborated, it is very difficult." Sud, Badgley's supporters maintain that the present system is unjust. Sud Lorin Grant, administrator of the Metropolitan Toronto Special Committee on Child Abuse, "Kids should have the same rights as adults." Added Elizabeth Currie, a case

manager at the Child Protection Centre in the city, "The system is failing children. It is discriminatory on the basis of age. In another case, the section of the Criminal Code prohibiting a child from having sexual intercourse with a friend under 14 was ruled discriminatory on the basis of sex because it did not apply to female offenders and male victims."

For her part, Maude Banville, who was former prime minister Pierre Trudeau's adviser on women's issues, is currently organizing a group to promote such reforms. Sud Banville, "The goal of the charter is equality of results, and we have to realize that some are not equal to begin with, and interpret the charter creatively." Added John Propper, a Green member in Vancouver, B.C., "On the face of it, the charter is being used as a bill of rights for child protection. It's misuse."

Many police and social workers have begun to deal with the increase in sexual abuse cases by setting up special programs, including procedures to help children through what is almost always a traumatic experience. Already, Vancouver police are using new investigative techniques and trained volunteers to try to make the process less frightening to children. In one case a Crown counsel used a McDonald's restaurant as her office to interview a child before a trial. In Toronto specially trained social workers use everything from dramatically costumed dolls in an attempt to find out what has occurred. In a particularly imaginative move last month, award-winning children's dramatist Dennis Rose, artistic director of Vancouver's Greenhouse Theatre for Young People, codirected a book entitled *Am I the Only One?*, a collection of stories and poems, with accompanying pictures, by child victims. Said Rose, "For any child who is suspected of being sexually abused, it will be a very valuable therapeutic tool."

For their part, many police experts say that until laws change to make it easier and less traumatic to prosecute child sex abuse, many cases will still fail to reach court. Vancouver police investigated 85 incidents involving sexual offenses from last October to December and had 22 charges. But in more than half the cases when charges were laid, the victims or parents chose not to pursue the matter. Clearly, John Crosbie and other federal justice officials face a challenging array of legal, ethical and moral issues in their quest to resolve one of the most controversial and compelling issues of the day.

Wife of a different crime to prove



JANE O'NEILL at Vancouver with ANNE STRAKA of Toronto, KAREN MCGOWAN in Ottawa and STEPHEN KLEPPER in Halifax

## Fury in a slaughterhouse



Meat inspection: reports of angry exchanges, intimidation and lower standards

**A**t its best, the job of inspecting slaughterhouses has a noble and heroic air. But for the five federal government inspectors at Canada Province Meat Inc. in Charlottetown, the job is barely tolerable. Over the past three years the inspectors have complained to their superiors that some plant workers whose senstions they oversee have subjected them to persistent psychological and verbal abuse. On Dec. 15, at the protests came to a head when all five inspectors failed to appear for work. They said that some workers had begun threatening them with knives and a rifle, including pie-binders filled with pig's blood. As a result, Fred Couture, national president of the Agricultural Union of the Public Service Alliance of Canada, flew from Ottawa to Charlottetown to discuss the problems with plant management. Couture described conditions in the deepest plant as "unbelievable." But he added that similar problems are not unusual in Canadian slaughterhouses and, indeed, that they

were symptomatic of a general decline in meat-packing standards.

These concerns were highlighted in a related development in Toronto last week when Federal Court Justice James Beausejour ruled that a trial concerning conditions in Canadian slaughterhouses would be held in partial secrecy. The case arose after an undisclosed number of meat-packing companies objected to the public release under the Access to Information Act of memorandum inspection reports of their plants. The still-undecided trial will determine whether the public has a right to view unclassified reports of periodic slaughterhouse "audits" conducted by the department of agriculture. Many company spokesman have complained that their interests would lead to sensational press reports, undermine confidence in their operations and perhaps put them out of business. But Couture said the continued secrecy was "a travesty," and added: "The public should be concerned with the whole processing industry and the reduction of inspection

Couture: consumers deserve



standards of Canadian food products."

This concern is mirrored in confusing and incomplete accounts of the recent events in Charlottetown. Couture and that same plant employee are refusing to obey the inspectors' demands that they maintain proper levels of sanitation and instead responded by hurling waste material. But Jason MacDonald, spokesman for the plant, workers, and that same plant employee who were conducting vendettas against those employees. One of the employees, who asked not to be identified, said: "These bloody inspectors have been breathing down our necks so long, we thought we'd have a bit of fun." Still, neither side is willing to prevent a full account of the dispute until it is settled. And for his part, plant manager William Mackay said that he too was unsure of what exactly happened on the killing floor.

Couture said that the underlying reason for the problems in Charlottetown and at other Canadian slaughterhouses is the federal government's Frequency of Inspection Levels program, initiated last January to reduce inspectors' overtime. He said that the program has lowered morale among inspectors and limited their authority in packing plants. Still, in the absence of inspection reports there remains no firm evidence of a decline in Canadian meat-packing standards. The only reports available publicly have been released by the U.S. department of agriculture, which inspects all Canadian plants that export meat to the United States. Since 1980 the department has prohibited exports from Canadian meat-packing plants that failed to meet U.S. standards on almost 80 occasions.

U.S. authorities first "notified" the Charlottetown plant in 1983. Shortly after, Canada Packers Ltd. sold the facility to the present government, reportedly for \$1.5 billion. Then the department imposed a 100% inspection standard, a \$15 fine for every hog slaughtered and processed. The government plans to move the operation to a new \$35-million facility this spring. But the plant is in a controversial location because in order to speculate profitably it will need to process 4,500 hogs per week, 1,200 more than inland farms currently produce.

The new facility will likely help the Province to regain its export rights. But one inspector who asked not to be identified said that he thought the plant's problems would follow it to the new location. And despite an emergency meeting last week between federal officials and plant management, the chances of a quick resolution of the dispute seemed remote.

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—JOHN BARRELL with JULIA BENNETT in Victoria and BARBARA MAGANDREW in Charlottetown

# NEW FACES OF THE CANADIAN ESTABLISHMENT



PHOTOGRAPHED BY BERT BELL IN THE PRESIDENTIAL SUITE AT THE HOLIDAY INN VANCOUVER HARBOURSIDE

DAVID HARLEY

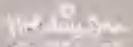
FOUNDER,

FAR WEST MOUNTAIN WEAR,  
AT THE  
HOLIDAY INN VANCOUVER  
HARBOURSIDE

**I**T WAS 1977, DAVID HARLEY WAS 23 and a new type of outerwear worn by vacationing mountaineers and skiers was emerging in Banff. It was made from GORE-TEX® fabric, a waterproof material that still allowed the body to breathe. Struck by its potential, David borrowed money and with no understanding of the clothing industry, began designing parkas for friends and displaying them in trade shows. An order for \$3,000 worth of parkas was enough for David to commit himself to his business and give it a name: Far West Mountain Wear.

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MEDICINE

## A debate over early cancer detection

**N**iforms of cancer kill more women than breast cancer, and as a result most doctors strongly encourage their patients to check for signs of the disease. Supported by such agencies as the Canadian Cancer Society, they emphasize self-examination and other methods of early detection as valuable aids in fighting the cancer. But last year doubts about early detection's effectiveness arose out of a multicentre trial in Ontario. After hearing evidence expert testimony, Ontario Supreme Court Justice David Henry ruled in September, 1986, that an Ontario government

not see a doctor for a year and a half. Then, after discovering a second lump, she saw a physician at her workplace who referred her to a general surgeon. He performed a mastectomy of her left breast. As late as 1984 the cancer had spread to her lymph nodes. In 1985 Campbell died in a soft-sell Peterson During the trial in June, 1985, Dr. David Stewart, a cancer treatment specialist at Ottawa General Hospital who looked after Campbell following the mastectomy, testified that Campbell's breast cancer is terminal.

also an attribute of a bad cancer that, notwithstanding surgery and treatment by chemotherapy and radiation a cancer will recur and will then progress much faster so the patient dies at the same time as if *not* treated!"

Last week Devot told MacLean's that the opinions he expressed in *en route* were "unsubstantiated and wildly accepted" among those who have investigated the natural history and/or behavior of breast cancer. But MacLean, who testified on behalf of Campbell, said: "There was a theory that was popular five to 10 years ago for a brief period, but there is overwhelming evidence that it is not correct for breast cancer. There is very compelling theoretical evidence that early detection is beneficial. Good cancers can become bad cancers over time." Said Dr. Andrew Miller, an epidemiologist at the University of Toronto and founder of the breast cancer advocacy group: "There is very good evidence that if you have breast cancer it is a question of using the time available to detect as much as possible."

Dr. James Goldie of the Vancouver-based British Columbia Cancer Agency said MacLean's that the smallest detectable lump—about one centimetre—contains about a billion cancer cells and that in a tumor grows, chance increases that mutant cells will escape other tissues and turn into secondary cancers. Dr. Goldie: "The longer the elapsed time, the more likelihood that a secondary cancer will develop and that'll undergo mutations and develop cells that are immune to treatment."

Still, most specialists acknowledge that despite a growing body of compelling evidence, there is still no absolute proof that early detection techniques are effective in breast cancer. In 1986, according to the cancer society, 3,600 Canadians will die of the disease, a rate that has not changed in more than 50 years. Miller, for one, says he is confident that new techniques on deaths since 1982 will show the effectiveness of early detection. But in the meantime, Henry's judgment has proved effective for advocates of early detection—and for the cancer society. Douglas Blair, chief executive officer of the society's national office in Toronto, says that local governments in the western part of

<sup>10</sup> Miller, "It is a misconception of history that the former revolutionaries do not remain as revolutionaries."

not was not neglectful in failing to treat a lump in the breast of one of his patients because it could not be proven that the early detection of his cancer and even treatment itself—would have had any effect on the outcome of the disease. The judgment, which has previously upset many members of the medical community since it was more widely published in *The Medical Post* earlier this month, is often suggested that the cancer was terminal from the moment of its first appearance.

The events leading up to the trial began when a 48-year-old Duncan woman, Carolyn Campbell—who is an administrator at the Children's Hospital of Eastern Ontario—discovered a lump in her breast in 1980. Her gynaecologist, Dr. W.P.E. Patterson, told her not to worry about it and, as a result, Campbell did

in the opinions of Dr James Dewitt, a general surgeon at Ottawa Civic Hospital specializing in breast disorders, who testified for the defence. Dewitt is also a consulting surgeon for the National Breast Screening Study—a five-year program designed to determine the effectiveness of various methods of early detection. In his opinion, Henry said Dewitt told the court that in 1980 Campbell's cancer was "in incurable" or "irreversible," as easy, as had a breast cancer in an inoperable course had been

In his testimony, Devitt said that breast cancer tumors are either "good" or "bad." He added that good tumors can be controlled but that bad tumors are extremely aggressive from their outset. Henry wrote that Devitt's testimony was "convincing" and he added: "It is



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## FILMS

# Strokes of fantasy

### THE BOY IN BLUE

Directed by Charles Jarrett

**B**efore the modern Olympics were founded in 1896, the most dignified form of international competition—made from war and commerce—was rowing. And the first Canadian to become a world champion at any sport was a Toronto oarsman named Ned Hanlan. Dominating international rowing from 1879 to 1887, Hanlan set records that no one has equalled. He started out as a working-class bootlegger, developing his athletic talent by using a racing scull to evade police. At 32, he allowed his way into rowing's aristocratic circles and became a hero for a cause that was not yet a decade old. *The Boy in Blue*—produced by Montreal's Peter Keeney and David Hines of Atlantic City, Quest for Power for 20th Century-Fox—is the sentimental story of Hanlan's triumph, interwoven with a dazzling combination of Hollywood fantasy and indigenous legend.

Shot in Ontario and Quebec, the film demands its title from the boy's belief that Hanlan's name is his secret. But the film-makers have included his secret as a working bootlegger, revealing the finish-line—a concession to the macabre whimsies of the Rocky-Montana era. In a low-key Canadian moquette, *The Boy in Blue* closes the tested Rocky formula, armed with neither wit nor witlessness, and morale, a young man's built his way into the women's circle, reverencing

evil promoters and their athletic protégés. Hanlan (Nicolás Cage) becomes a prime sculler in the stable of Col. Knott (Christopher Plummer), an ascetic-pornographer who uses sabotage and bribery to enhance his odds. The virtuous Knott rejects the colonel's tactics but falls in love with his niece (Cynthia Nixon), a pure beauty rare between her upper-class hygienics and Hanlan's proletarian charms.

The film uses familiar devices—a gaudily musical score and inane new-sport stunts—to dramatize Hanlan's conquest. But what results is more from crowning in color than Cage's amateur performances. A California, Cage (Meryl) is both credible and likable as the sunburst Canadian bumpkin. Displaying one of the best sculls in the business, Cage looks as if he has followed his character's training program inside the studio. As well, he brings a light-knuckled touch to his role, saving a number of scenes that verge on sentimental comedy.

Portraying an aristocratic career between dreams and fears, British director Charles Jarrett (Movie of a Thousand Days) has created an amazingly diverse film. It has inserted a number of anachronies in period costumes and settings that are characters or plot connecting Canada to Hollywood fantasy. *The Boy in Blue* aromas—but fails to satisfy—concerns about Borodin's original anguish.

—NORM D. JOHNSON

## TELEVISION

# Victim of a witch-hunt

GRIESEK AND GOUREVITCH  
(CBC, Jan. 30)

**T**HE CBC drama Grierson and Gourevitch documents a scandalous chapter in Canadian history. In one telling scene it shows a seminal figure in documentary cinema, National Film Board founder John Grierson (Eric Potts), defending his artistic vision before a federal espionage inquiry. Says Gourevitch: "What I think of as the great, where of the arts, consisting far too much in entertainment and far too little in enlightenment. All my life I've been trying to reform her." The 10-minute production, which chronicles the 1930s after the Second World War, follows the film-maker's aesthetic so strictly that it almost naps the life from his riveting story. Rick Salutin's script, curiously, explores Grierson's commitment to social justice and world peace, but neglects the man himself. Still, superb acting and some powerful dialogue and the performers ultimately redeem the program, bringing home the Cold War perspective of Grierson with chilling force.

Early on, the drama segues into a mazing note when Prince Maurice (William Lyon Mackenzie King, Robin Gemini) urges Grierson to use down his papery. Ignoring him, the Boston-born producer encourages his art's privilege to help develop a national identity. Then Agar Gourevitch (Neal Rasmussen), a cigar-smoker at the Savoy Embassy, reflects, revealing the attraction of Soviet art versus Canada. During the official ceremony that follows, Ottawa officials dismiss back Grierson, who has left Canada to set up a U.S. film company—and never returns. Grierson and Gourevitch had career in in.

Portraying an aristocratic career between dreams and fears, British director Charles Jarrett (Movie of a Thousand Days) has created an amazingly diverse film. It has inserted a number of anachronies in period costumes and settings that are characters or plot connecting Canada to Hollywood fantasy. *The Boy in Blue* aromas—but fails to satisfy—concerns about Borodin's original anguish.

—FERNANDA BANCY

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# Life in a marriage of heaven and hell

THE REAL THING  
By Tom Stoppard  
Directed by Guy Spragg

In this farcical play, British dramatist Tom Stoppard has packed his wit over such prickly topics as the meaning of existence (Rees events and *Guidelines for Death*) and contemporary philosophy (Jung) into *The Real Thing* to test his prodigious powers of distortion to a theme closer to most people's hearts: the pretences of fidelity—or the lack of it—in modern marriage. A kind of thinking man's *Julius Caesar*, *The Real Thing* demands considerable precision from its actors—a challenge largely met in the solid all-Canadian production mounted last month by the Manitoba Theatre Centre and now showing at Toronto's Royal Alexandra Theatre. Led by R.H. Thomson, the cast handles most of Stoppard's razor-sharp banter without blunting them, while displaying enough sound gusto to prevent the witty drama from turning into a fencing match. His witts should encourage the recent trend to Canadian production of foreign hits.

The *Real Thing* focuses on a successful playwright, Henry (Thomson) who enjoys impressing his friends—and his wives—with his brilliantly apocalyptic repartees. What ails Henry from being merely entertaining is the pain of his complex marital relationships. As the play opens, Henry is having a secret affair with Annie (Kate Trotter), the wife of Max (Richard Denner), who played the leading man in Henry's most recent drama. Henry eventually leaves his own wife, Charlotte (Bridget O'Farrell), to marry Annie. But when Annie returns as Max's affair with a young fellow actor, Billy (Albert Sebaek), Henry feels himself sinking in the same kind of misery he has躲 to Max, rather than care or incensed heartbreak that would be the case in English and too unlike the oblique Stoppard—he spends much of the play making heated and often profoundly witty measurements in love and carnal knowledge.

As the beligerent, over-tangled Henry, Thomson brings a charming humanity to a character who could have come across as an arrogant prig. Dressed in a tatty cardigan and peering through his glasses, Thomson plays Henry as an oldish wimp just the right touch of classical self-mockery. When Annie, a strident popular trin-

to persuade him of the norms of a bad play written by a political prisoner, Broofis (Brett Hedges), Thomson has the Henry's defense of poor writing with barefaced brilliance. Thomson's only major flaw is that his English accent sounds like a failure, although he is much sturdier than his colleagues.

The problem with anxiety is one of the disadvantages that can arise when Canadian companies produce imported drama. But increasingly, pre-

sumed bookers, Royal Alexandra's owners Edwin and David Mirvish, are part of that trend. Fused with the option of bringing an artistically inferior roadshow version to his theatre, Mirvish opted for the costlier route of financing a Canadian production of the play.

Of course, simple Canadianism is no guarantee of quality. The current production of *The Real Thing* offers an evening of pleasing entertainment—



Sherry Smith, Thomson, David Mirvish (below); *See International front row*

soers have come to believe that the benefits of using the best local talent overshadow the possible problems in the play, local audiences usually are impervious to the versions of current British and US plays.

Recently, Canadians have staged an interesting version of *Death although*, a dark comedy, right down to details of set design, as produced in the United States. Last week, an all-Canadian production of *Death of a Salesman* opened at the Toronto Free Theatre, as well. Thomson has agreed that it had just obtained rights to two recent New York hits, *Proof* (of Love) and *The Need to Be*.

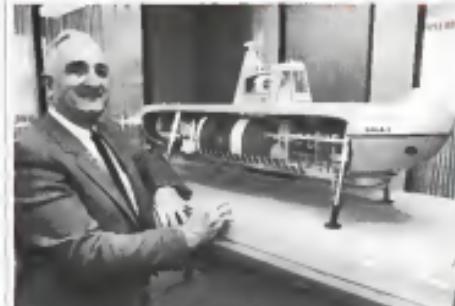
But it is possible to imagine the play being done even better. Under Guy Spragg's brisk direction, Denner and O'Farrell give strong performances. But Trotter's Annie, while always brilliant, operates too much at the same fervent pitch and mediates much of her character's subtlety.

More memorable is Alisan Blackley's riveting set, which changes scenes with the smooth precision of a Rubik's Cube. The production puts *The Real Thing*'s owners in the front row of the international theatrical scene. And, for the most part, it makes them glad to be there.

—JOHN BURROUGHS



# Exploration's new era



Kenneth with model of Sags I, 'quantum leap' in undersea resource development

Oil and gas companies continue to face logistical problems in their attempts to explore the resource-rich continental shelf of the east coast of Canada. Weather and sea conditions are often unfavourable, and supplies must be transported to support vessels stationed above the shelf—a stretch of seabed along the coast reaching depths of up to 600 feet. As well, manned submersible machines are used only limited times underwater; current models of submersibles, which hold only one or two people, are limited to 24-hour missions. Now, a Canadian and French consortium may have a solution: a nuclear-powered submersible designed to settle on the seabed for up to 27 days, carrying as many as six divers for such tasks as exploration or salvaging offshore rigs up to 1000 feet.

Experts agree that, if successful, Sags II—the coupled submersible—could be a breakthrough in underwater research. Dr Joseph Macfie, for one, a Canadian pioneer in underwater exploration, is fascinated by the undertaking. Said Macfie: "I think they have in that particular package a revolution." The plan is to make all the difference. "For one year," says spokesman Hugh Spooner, "not that the safety-related criteria are met," becoming the first to Canadian waters will not be a problem.

Mr. president Bill Dunn and the company hope to build a client to industrial and the scientific and academic communities. For the first time, its users will be able to do extensive field analysis under water and even map the seabed. And at least that is a step toward the underwater scientist's goal, as stated by Macfie: "To get to the bottom and bring them up."

—BRUCE JEFFREY REILLY with  
SHAWN DUVILLE, *ENRIGUE* in Toronto

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## FOR THE RECORD

# Unearthing a treasure

VICKERS  
Jon Vickery (Baritone),  
Richard Wetstock (piano)  
(Continued)

A new recital on a Canadian label by the country's foremost tenor should be cause for celebration. Unfortunately, Jon Vickery's latest solo recording is a hodgepodge of Inuitaria. The three West Coast folksongs arranged by Bertrand Tremblay are exquisite, but the rest of the songs by such Canadian composers as John Beck with are undercooked. All the subtlety of Vickery's phrasing seems absent. The highlight of the disc is the 1955 Canadian Sir Michael Tippett's *Love Song*. Vickery's voice is a glorious instrument. It is best suited to works of epic scale.

BOURGEOIS LOUIS HIEL  
Conducted by  
Victor Feldbrill  
(Continued)

Seventeen years after it was first performed for Canada's centennial, Harry Somers's magisterial opera of the Biblical rebirth has finally appeared on record. After listening tapes of the Canadian Opera Company's 1975 performance in Washington, DC, on Canada's Centennial Music Centres' label, one need the latest sound-enhancement techniques to produce a cool and gorgeously theatrical three-record set. Somers's punishing rhythmic assaults and Mayer Moore's test-tormenting libretto combine to capture the opera's hot-blooded fervor. As well, the broad themes of idealism, betrayal and the resulting of magnificence in the process of nation-building help deserve the drama in universal stature. Bass-baritone Bertrand Tanguay's Davis is Louis Riel's mad, visionary megalomaniac and soprano Renée Riel, as his logistic wife, Marguerite, sings a throbbling lament for her dying people. *Khay*, in Cote, that individual performances are quickly overtaken by the sense of a commanding act, a nation's rite of passage. To conductor Louis Riel, Canada's most important work to date, he unearthed a national treasure.



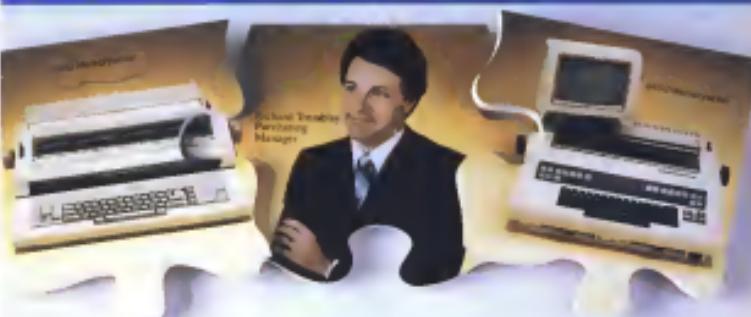
Tanguay as Riel: a tragic drama of universal stature

test assessments, and he shuns when working in the late Romantic repertoire. His concert last year with Hungarian-born soprano Eva Marton performing music by Richard Strauss showed Davis at his best. His affinity for Strauss is evident in the annual *Dance of the Seven Veils* from the operas *Sophie* and in the passionate symphonic fragments from *The Love of the Three Oranges*. In both, the orchestra rises to sympathetic, even frenzied heights. But the star of the recording is Marton, who offers a spectacular reading of the firebreathily demanding final scene from *Sophie*. With recordings of such high caliber, the Toronto Symphony challenges the hegemony of its Montreal counterpart.

—JOHN FRANCIS

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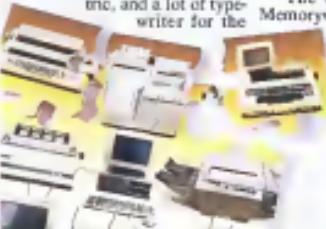
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# A biography's evolution



Henry and William James, around 1900. *Beckhauser and Lüder, unconscious history*

**HENRY JAMES: A LIFE**  
By Louis Edel  
(Farrar, Straus & Giroux, 700 pages, \$35.00)

**B**iography should read with the sweep and emotional impact of a good novel. By that criterion, Louis Edel's massive history of the great American novelist Henry James—which first appeared in two volumes between 1960 and 1971—has actually improved by being revised and shortened. While Edel's huge original work disengaged all but the most devoted James enthusiasts, *Henry James: A Life* is a more compact 700 pages. It retains the author's biography's broadstroke, its larger picture, but more vividly describes the trajectory of James's career. As well, Edel is more candid about James's private affairs, although certainly the coldest rather than the warmest of his 100 letters to his closest friend, one of the greatest strengths of *Henry James: A Life* is its (too) refusal to indulge in sensationalism. It tells the facts of a fascinating life episode by episode.

That life spanned 72 years and two continents. Born in New York in 1843, the second son of a wealthy, cultured New England family, James spent much of his boyhood travelling in Europe. Caught up in age, he could not resist the lure of the history-reverenced Old World, after lengthy trips to France

and Italy, he settled permanently in England. Yet James never forgot his American roots. The bones of many of his novels were American immigrants abroad, confronting a surprised Europe with their newfound wealth and sense of individual freedom. With a clear eye on the literary evidence, Edel chronicles how James's affinities to his countrymen always conflicted between horror at their vulgarity and admiration for their pluckiness and audacity, could have flowed from James's own pen.

—DORIN BIRNBOIM

## MICHAEL'S BEST-SELLER LIST

### Fiction

- 1 *The Mammoth Hunters*, Andi (4)
- 2 *Texas, McIver's* (2)
- 3 *The Household File*, Arneid (2)
- 4 *What's Real in the Bone*, Dennis (2)
- 5 *Carrie's Sugars* (2)
- 6 *Sierra, Steel* (2)
- 7 *London Match*, Drayton (2)
- 8 *Laundry, Coffey's* (2)
- 9 *The Red Fox*, Myke (2)
- 10 *Skeleton Crew*, King (2)

**Non-fiction**

- 1 *Compass of Adventures*, Nansen (2)
- 2 *Straight from the Heart*, Carter (2)
- 3 *Adventure, Romeo with Noah* (2)
- 4 *Shore and We*, Feeding with Nansen (2)
- 5 *Barreling in the Light*, Shadlower (2)
- 6 *Young, Roger and Jesus* (2)
- 7 *Godless, The Secret Lives of Marilyn Monroe*, Bernstein (2)
- 8 *Heidi Canfield*, Fawcett
- 9 *A Passion for Excellence*, Peterson and Austin
- 10 *Shady Business*, McQueen (2)

(1) Fiction but not

As for men, he obviously had strong homoerotic urges, but was terrified to act on them. In his later years he took young artists under his wing, including the Norwegian-born sculptor Hendrik Andersen, so when he wrote lavishly affectionate letters full of such phrases as "I find, my dear boy, my arms around you" but when we protest, English writer Hugh Walpole offered himself to James the novelist remained with a disclaimer, "I can't, I can't." It is hard to imagine why Edel left such products out of his original biography. Clearly, sexual norms have changed. But Edel also admits in his introduction that he did not want to offend James's surviving relatives.

Still, it is not sexual advances—or the lack of them—that fire Edel's study. It is the carefully selected details from every aspect of James's career that give the book the texture and dramatic reverberations of good fiction. It is wonderful to observe the partly, 60-ish author "diseased in knickerbockers and a jacket of black-and-white stripes" bicycling off to visit the parts near his English country home. And it is deeply moving to watch James on his deathbed in the winter of 1916-17, deliriously mouthing sentences that read like a parody of his old, elaborate style. Henry James: A Life brings with such pictures that, for their poignancy and subtlety, could have flowed from James's own pen.



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# Conjuring up a Hollywood North

By Allan Fotheringham

**A**s the poor dross leaves, the world evolves. That which does not adapt is left behind. To perish, to fall, to become the match upon which we build our succeeding malignant civilizations, which may contain Iron temples, Plato, Bertrand, Bachus, rock videos or Ed McMahon. You never know what you're going to get. You know only one thing: Adapt or die.

In this light, it warms the heart to learn that the man who aspires to be the future most powerful person on earth wants to appear on Miami Vice. George Bush, vice-president of the U.S.A., has let it be known through his functionaries that he would be willing to do a walk-on part in what, apparently, is the hottest thing on that great cultural device, prime-time TV, a show that features a lot of bangles, pastel fashions, trendy music and the newest mackie special of the era: a two-day-old Nixonian whopper stoked at the chin.

Two agent mutants are ploughing these days and watching, in particular, all these post-war youths



walking down the aisle looking as if they need to go about without time to change their nappies. It has not, it is not by accident, they are attempting to corrupt Miami Vice hero Don Johnson, a product of whose kind of few ever seen one. So George Bush, the last for the top job dribbling down his chin, wishes to dip this low in an attempt to popularize his image. It is to

Bush, you must understand, suffer from what someone defines as "terminal progressiveness." Even his mouthbreath comes from Brooks Brothers. He is a millionaire from Yale who pretends to live in Texas. He wants the young note and so he volunteers to be a go-go part on Miami Vice. Absolutely brilliant. He has watched his base, a Hollywood No. 2 who never got the girl, break all polling records as the most popular president in history. If shadowy work in the Oval Office, why not try skip-

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ping sharing for a day and hit the cameras with the guys who carry the gun?

I think it's unbeatable. Go with the low Leans from the dinosaurs. There is tremendous potential ahead for any aspiring politician headed for the top. Brian Mulroney, of course, instinctively comes to mind. There is a Marley Chevalier of "We've ever seen one" if Mulroney can teach him the soft-shoe shuffle, we've got a winner. Barbara McDougall would translate magnificently into a TV version of Bette Davis—astute, aloof, sucking on a thin

magazine cover and she has a voice that would have made Janis Joplin cringe. Lloyd Axworthy, who smiled once in 1986, needs a heavy Spencer Tracy rule to fit his status.

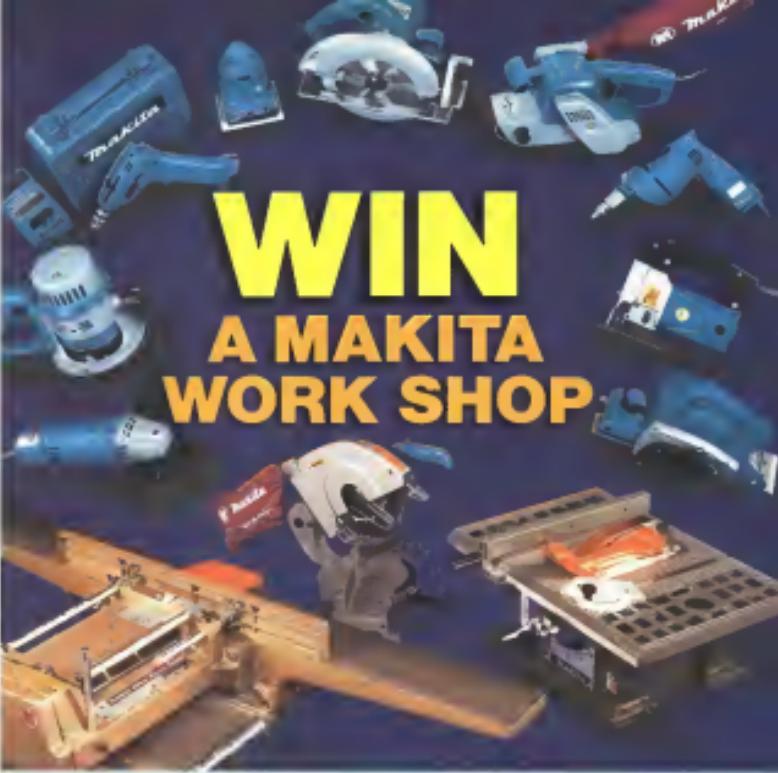
There are all sorts of possibilities as the line between politics and entertainment becomes ever more blurred. George Bush, in the background watching in admiration as his boss bags the bright light with precision blue-light upshots has surrendered. If you want to get elected, first get in the cameras—ever better, to the cameras. His only problem is that he has to find a role.

Maggie Thatcher has always appeared as Mrs. Murrer, with her concrete hands and her artificial accent. Perrin Beatty, on the other hand, is Fred Astaire, fastidious and assured, one of the four best ministers in the Mulroney cabinet. You can't put a hand on him. Pat Carney? The Earth Mother. She may as they used to say about Gloria Stein and Thatcher—"the best man is the easiest." Michael Wilansky (John McCrae)? Randolph Churchill doesn't like that. But nothing's really the truth.

Miss? Well, it's somewhere between Heidi of the Alps and one of the leather clowns from *Dynasty*. Like, whooshiness-plus-lust. There's a touch of Shirley MacLean here, a touch of Lily Tomlin, a touch of Our Miss Brooks. Gellie Turner is a slimmed-down Linda Evangelista with the torque of Bella Abzug. David Crombie? Shirley Romeo, what else? Typing away Jake Epp, the invincible Tory health minister with the pale skin and the clear glasses, is one of those Sunday morning TV evangelists who are watched with fascination, their logic incoherent, their anal behaved. George Bush could get a life-time job interview with British Master Thespian, required only to twirl his mustache on cue.

Bush Papirod is a natural as a wrestling referee—as a wrestler. Lance Piggott, who decorates the back row of the Liberal, could walk onto the Dallas serial tomorrow, with enough wardrobe left over for the next non-controversy-creating session. George Bush is on the edge of a wave.

—John



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